

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Marysville	County St. Clair
Fiscal Year End June 30, 2007	Opinion Date October 31, 2007	Date Audit Report Submitted to State December 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

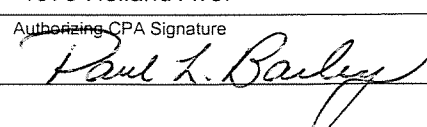
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number 810-984-3829	
Street Address 1979 Holland Ave.		City Port Huron	State MI
		Zip 48060	
Authorizing CPA Signature 		Printed Name Paul Bailey	License Number 1101014088

CITY OF MARYSVILLE, MICHIGAN

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2007

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



CITY OF MARYSVILLE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Marysville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marysville, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marysville's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the Housing commission, which represents 100 and 90 percent of the assets and revenues of the component units, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Housing Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marysville, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007, on our consideration of the City of Marysville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13, and schedule of funding progress, schedule of employer contributions and budgetary comparisons on pages 52 through 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

October 30, 2007



CITY OF MARYSVILLE

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MANAGEMENT DISCUSSION AND ANALYSIS

This section of the City of Marysville's annual financial report presents the City's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the City's financial statements, which follow this section. Comparative data to the prior year is included in this report when available and appropriate.

FINANCIAL HIGHLIGHTS

- Total cost of all of the City's governmental programs (all funds except for water, sewer, golf and pension related funds) was \$9,212,963 with an addition of a capital projects fund.
- In the City's business-type activities (sewer, water and golf), operating revenues were \$4,284,186, and operating expenses of \$3,612,938, resulting in a net operating income of \$671,248. With non-operating revenues and expenses and net transfers the business-type activities had a net income of \$711,645.
- The City of Marysville's total debt increased by \$3,021,306 during the current fiscal year. Principal payments of \$528,758 were made for the Sewer Separation Bonds and the Building Authority Bonds. The City issued a \$3,500,000 General Obligation Bond for the purpose of providing improvements to the drainage system. In addition the City has increased the estimated liability by \$100,000 in an anticipated tax tribunal.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – Management Discussion and Analysis (this section), the Basic Financial statements, required supplementary information (RSI), and an optional section that presents combining statements for non-major governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City: Government-wide Financial Statements and Fund Financial Statements. The table below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the City of Marysville Financial Statements

<i>Statement Type</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business: Water, Sewer, and Golf Fund	Where City is trustee for someone else's resources, ex. City General Retirement System
Required financial statements	<ul style="list-style-type: none"> - Statement of net assets - Statement of activities 	<ul style="list-style-type: none"> - Balance sheet - Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> - Statement of net assets - Statement of revenues, expenses and changes in fund net assets - Statement of cash flows 	<ul style="list-style-type: none"> - Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis & measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short- and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short- and long-term	All assets & liabilities, both short and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the year end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenue and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies and provide long- and short-term information. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets are defined as the difference between assets and liabilities and are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities (all activities except sewer, water, golf and pension related funds) – most of the City’s basic services are included here, such as public safety, public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – activities where the City charges fees to customers to help cover the cost of services it provides; included here are the sewer, water and golf funds.
- Component units – the City has three component units; the Housing Commission, the Local Development Finance Authority [LDFA(1)], and the new Local Development Finance Authority [LDFA(2)] - although legally separate, the Housing Commission is important because the City is financially accountable for them. A copy of the Housing Audit can be obtained by requesting it directly from the Housing Commission. The LDFA(1) was formed to allow the City to capture money up to the amount spent to purchase the property for the Schefenacker Visions addition in 2005. The LDFA(2) was formed to allow the City to capture money up to the amount spent to purchase the property for the Chrysler project.

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds-not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- Governmental funds-Most of the City’s basic services are reported in governmental funds (all funds except water, sewer, golf and pension related funds), which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. A description of the relationship (or differences) between governmental activities (in Statement of Net Assets and Statement of Activities) and governmental funds can be seen in the reconciliation schedules on pages 18 and 20.
- Proprietary funds-Services for which the City charges customers a fee (water, sewer, motor pool and golf) are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City’s *enterprise* funds (a type of proprietary fund) are the same as the business-type activities, but provide more detail and information. The *internal service* fund (another proprietary fund type) reports activities that provide supplies and services for the City’s other programs. The internal service fund reported here is the Motor Pool Fund.
- Fiduciary funds-The City is the trustee, or fiduciary, for its employees’ pension and other employee benefit trust funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary

activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. They are excluded from the government-wide financial statements because these assets cannot be used to finance the City's operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net assets increased to \$39.5 million from \$39.4 million in 2006 or an approximately .2% change. A declining trend continues within Governmental Activities that are merely a result of the large annual depreciation of the mass of assets in relation to the small additions per year by comparison. Our analysis focuses on the net assets (Table 1) of the City's governmental and business type activities. Comparison data from the prior year is also shown.

Table 1
Net Assets of Governmental and Business-type Activities
(in thousands)

	<u>Governmental Activities</u>		<u>Business- type Activities</u>		<u>Total Government</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current and other assets	8,936	13,235	2,868	3,058	\$11,804	16,293
Capital Assets	19,783	18,487	17,671	17,634	\$37,454	36,121
<i>Total Assets</i>	<i>\$28,719</i>	<i>\$31,722</i>	<i>\$20,539</i>	<i>\$20,692</i>	<i>\$49,258</i>	<i>\$52,414</i>
Long-term debt						
out-standing	2,893	6,321	6,057	5,650	8,950	11,971
Other liabilities	523	710	372	221	895	931
<i>Total Liabilities</i>	<i>\$3,416</i>	<i>\$7,031</i>	<i>\$6,429</i>	<i>\$5,871</i>	<i>\$9,845</i>	<i>\$12,902</i>
Net Assets:						
Invested in capital assets, net of debt	17,191	16,120	11,363	11,748	28,554	27,868
Restricted	3,136	3,101	0	0	3,136	3,101
Unrestricted	4,977	5,470	2,746	3,073	7,723	8,543
<i>Total Net Assets</i>	<i>\$25,304</i>	<i>\$24,691</i>	<i>\$14,109</i>	<i>\$14,821</i>	<i>\$39,413</i>	<i>\$39,512</i>

The decrease in net assets for the governmental activities is \$612,087, while the net assets for business type activities actually increased by \$711,645. As stated above, the decrease in net assets for the governmental activities was mainly due to the large amount of depreciation for the year in relation to the amount of assets added. For the business type activities the positive change in net assets was a result of additional investment income earned, decrease in operating expenses, and capital asset contributions from other funds.

Governmental Activities

Governmental activities for the City include four major activities: General Government, Public Safety, Public Works, and Recreation/Culture. General Government includes Administration, Assessor, Treasurer, Clerk, Finance and Community Development departments. Public Safety includes Police, Fire, Emergency Management and Building Inspector departments. Public Works includes primarily the Department of Public Works and building and maintenance of the major and local roads. The library, city parks, historical and recreation activities comprise the Recreation and Culture activity.

The largest revenue for governmental activities is the general operating property tax. The City was allowed by State law to increase its property tax by the raw rate of inflation for those properties that were not sold and had no construction improvements. The overall taxable value of property in the City increased 3.08% for 2007.

State shared revenue decreased for the fifth year in a row. This year's decrease of 1.0% or \$11,031 was an improvement over last year's decrease of 1.1 % or \$12,097. The Revenue Sharing dollars are a result of the State of Michigan collecting sales tax and redistributing a portion of it to the local jurisdictions. It represents the second largest source of revenue for the City, but unfortunately is volatile since it fluctuates with the economy.

To assist in maintenance and repair of the road system, the City receives Michigan Transportation Fund money. In Fiscal Year 07, the City received \$600,888 from the Transportation Fund that is included in the "program revenues" section of the Statement of Activities for Public Works (operating grants and contributions). This 1.1% decrease from 2006 was expected due to the Reduction of State Distribution Notification that was received in 2005. Due to the volatility of the ACT 51 monies the City continually applies for Federal and/or State grants to assist with the maintenance and repair of the roads.

In addition to support from the General fund, Public Safety generates revenues from two major sources: the collections for ambulance services (EMS) in the Fire department and permits and licenses for general construction in the city.

Table 2 on page 8 presents the change in the Net Assets for all of the Governmental Activities. It covers the current ending fiscal year and two years prior for comparison purposes. It clearly shows the fluctuation of net assets over that time period. The Revenue totals for those three years illustrates the trend of a slight increase mainly due to investment income that is directly related to economic factors.

Table 2
Change in Net Assets for the Governmental Activities

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Program revenues:			
Charges for services	611,162	553,614	603,946
Operating Grants & Contributions	1,253,119	1,319,186	715,590
Capital Grants and Contributions	29,655	233,549	168,323
General Revenues:Charges for Services			
Property Taxes	6,300,733	6,359,483	6,871,773
Franchise Fees	105,677	106,661	111,274
Grants & Contributions (not restricted)	1,067,286	1,055,189	1,044,158
Unrestricted investment income	524,671	230,455	800,261
Transfer	(887,003)	96,030	(610,755)
Special Items		(300,000)	
Total Revenues	<u>9,005,300</u>	<u>9,654,167</u>	<u>9,704,570</u>
Expenses:			
General Government	893,602	894,404	1,062,163
Public Safety	3,992,994	4,224,701	4,152,447
Public Works	4,401,668	4,394,930	4,268,970
Recreation & Cultural	533,566	501,229	639,624
Other Activities	416,308	830,357	14,998
Interest on Long Term Debt	71,246	122,605	178,455
Total Expenses	<u>10,309,384</u>	<u>10,968,226</u>	<u>10,316,657</u>
Change in net assets	(1,304,084)	(1,314,059)	(612,087)
Net assets at beginning of the year	27,921,687	26,617,603	25,303,544
Net assets at end of year	<u>26,617,603</u>	<u>25,303,544</u>	<u>24,691,457</u>

Business-Type Activities

The City has three business-type activities: water, sewer and golf funds. As shown by the table on page 9, the revenues of these activities decreased by 5 percent, and operating & non-operating expenses decreased by approximately 4.1 percent. The City experienced a net asset increase of \$711,645.

Table 3
Changes in Net Assets of Business-type Activities

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<i>Revenues:</i>			
Charges for Services	3,866,561	4,339,437	4,127,349
Other	198,423	198,920	156,837
Investment Earnings	124,817	113,692	133,138
Total Revenues	\$4,189,801	\$4,652,049	\$4,417,324
<i>Expenses:</i>			
Operating & Non-operating	3,641,616	3,914,188	3,751,915
Total Expenses	3,641,616	3,914,188	3,751,915
Excess before transfers & capital contributions	548,185	737,861	665,409
Transfers & capital contributions	(131,579)	(296,030)	46,236
Increase in Net Assets	\$ 416,606	\$ 441,831	\$ 711,645

The increase in net assets occurred in both the Water and Sewer fund, the Sewer fund experienced the largest increase of \$613,884. This substantial increase in net assets was primarily due to the contribution of a capital project from the Capital Improvement fund and additional revenue collected for services. The Golf Fund incurred a loss for the third year. This year's loss increased to \$81,868 from \$38,893 in 2006. The losses resulted from uncontrollable cyclical economic factors.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Marysville uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the City of Marysville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Marysville's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds (as presented in the balance sheet on page 17) reported a combined fund balance of \$11,932,152, an increase of \$3,988,378. Approximately 51% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. This is a decrease in unreserved fund balance ratio by 23% from 2006. The change in the ratio of unreserved funds to total fund balance is due to the issue of a General Obligation Bond that was issued for drain improvements.

Of the unreserved amount, \$1,302,461 has been designated for various items, such as EMS equipment (\$818,513) and building improvements (\$203,850). A complete listing can be found on page 50 in the Notes to Financial Statements. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City of Marysville. At the end of fiscal year 2007, the fund balance of the general fund is \$4,857,335, while the fund balance at the beginning of the year was \$4,493,132, an increase of \$364,203. As seen on page 19, the Other Governmental Funds increased their fund balances by a total of \$224,446. Three funds; Industrial Development, Recreation, and the Motor Vehicle Highway fund increased their fund balances by \$17,019, \$13,796 and \$402,541, respectively. While Major Streets, Local Streets, Public Improvement, Drug Law Enforcement, and Building Authority decreased their fund balances by a combined total of \$252,079. The net of these funds represent the aggregate change in fund balances of \$224,446.

The 2006 Contruction fund was added in 2007 with the purpose of providing improvements to the drainage system. The issuance of a bond for \$3,500,000 and stagnated project expenditures resulted in a fund balance of \$3,399,729.

Proprietary Funds

The City of Marysville's proprietary funds statements provide the same type of information in the government-wide financial statements, but in more detail.

Total net assets for the Proprietary Funds at the end of the year were \$14,820,710, increased by \$711,645 from the prior year. The Water Fund increased by \$179,629 and the Wastewater Fund increased by \$613,884. The Golf Fund actually had a decrease in net assets by \$81,868. The Golf Fund continues to struggle in this depressed economy, striving to keep the expenses down.

General Fund Budgetary Highlights

Even though the budget is passed by the City Council prior to the beginning of the fiscal year, all expenditures throughout the year are reviewed and approved as they occur. Council and Administration, during Budget sessions, attempt to enable the City to respond to any changes that can and do occur throughout the twelve-month period. During the Budget process the Council discusses major projects proposed for the upcoming year, as well as, looking beyond the budget year. The Fiscal Year 07 budget was not amended during the year. The original budget remained effective throughout the year.

The General Fund experienced an actual increase of revenues over expenditures and transfers of \$364,203. Additional revenues of \$743,000 resulted from investment interest, healthcare refund, and taxes collected. Actual operating expenditures were \$568,625 less than originally budgeted; a result of a wide spread of control of expenses throughout all departments. In addition, an unplanned transfer was initiated into the Healthcare fund. At the end of each year, the City evaluates its financial position and will make contributions to the Healthcare fund only if conditions are favorable.

As part of the budget process it was necessary to change the Water Rate Schedule in order to provide adequate revenues for the Marysville Water Filtration. The amended rates were increased by 2% and became effective for metered and flat rate customers of the City of Marysville on July 1, 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City had a net book value of \$36.12 million invested in a broad range of capital assets, including police, fire and DPW equipment, buildings, park facilities, roads, and water and sewer lines. Refer to Table 4 for a schedule showing the Capital Assets at year-end for both the year ending 6-30-06 and 6-30-07 for both the Governmental and the Business-type activities. There is also a total column for the Total Primary Government for each year.

Table 4
Capital Assets at Year-end
(Net of Depreciation - in thousands)

	Governmental Activities		Business- type Activities		Total Primary Government	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	\$1,067	\$1,067	\$92	\$92	\$1,159	\$1,159
Land improvements	\$1,037	\$943	\$566	\$561	\$1,603	\$1,504
Construction-in-progress	\$55	\$281	\$0	\$128	\$55	\$409
Buildings	\$3,968	\$3,858	\$2,997	\$2,859	\$6,965	\$6,717
Building improvements	\$162	\$128	\$127	\$89	\$289	\$217
Machinery & Equipment	\$883	\$917	\$904	\$851	\$1,787	\$1,768
Vehicles	\$284	\$223	-	-	\$284	\$223
Bike paths	\$279	\$301	-	-	\$279	\$301
Sidewalks	\$723	\$691	-	-	\$723	\$691
Streets	\$11,324	\$10,079	-	-	\$11,324	\$10,079
Water & Sewer systems	-	-	\$12,985	\$13,055	\$12,985	\$13,055
TOTALS	\$19,783	\$18,488	\$17,671	\$17,635	\$37,455	\$36,123

This year's major additions included:

Annual Concrete Streets Improvement Program	280,370
Water & Sewer Line Improvements	418,543
Governmental Machinery / Equipment	206,215
Water / Sewer Machinery / Equipment	69,548
Motorpool Vehicles	68,844
Land Improvements: Columbarium	39,451
Land Improvements: Park Pavilion	15,654
Library Carpet	16,000

As of 6-30-07, the City has a few projects in process (Construction-in-progress amount above in table) that are scheduled for completion in fiscal year 08. One is the Michigan Avenue Sanitary Sewer Replacement and Road Construction that will relieve sanitary surcharges upstream. The sewer line upgrade is a part of ongoing work to improve the city's sanitary system and is financed through city funds. The road construction is financed through city funds and State Grants. This project began in fiscal year 07 and is scheduled for completion in fiscal year 08.

A second project is an assembly of improvements to the City's drainage system. They were started in 2007 and completion is estimated for 2010. This assembly of projects includes various improvements to the drainage system in relation to improvements identified by the County Drain Commissioner as necessary. A General Obligation Bond was issued in 2007 to provide financing for the projects. These improvements are intended to reduce surface and basement flooding within the City.

A third project that began in 2007, but not completed, is the reconstruction of Cuttle Road. Reconstruction was required to improve and maintain the life of the road. Completion is estimated for June 2008 and financing is provided through MDOT and State grants.

Debt

At year-end, the City has \$11,971,351 in long-term debt versus \$8,950,045 last year. That is a 33% increase over last year, primarily due to the issuance of a 2006 General Obligation Bond for \$3,500,000 and an increase of \$100,000 in the contingency for Tax Tribunal cases. Table 5 below illustrates the outstanding debt at year-end.

Table 5
Outstanding Debt at Year-end
(In Millions)

	Governmental Activities		Business- type Activities		Totals	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
General Obligation Bonds (backed by the City)	\$2,593	\$5,921	0	0	\$2,593	\$5,921
Estimated Tax Tribunal Liability	\$300	\$400	0	0	\$300	\$400
Revenue Bonds (backed by specific fee revenues)	0	0	\$6,057	\$5,650	\$6,057	\$5,650
Totals	\$2,893	\$6,321	\$6,057	\$5,650	\$8,950	\$11,971

The General Obligation bonds currently due are from the construction of the Police and Fire building and the purchase of the Department of Public-Works complex. These bonds were taken out in 1996 in the amount of \$3,225,000 and were paid off during a refunding process in fiscal year 2005. The City issued a \$3,500,000 General Obligation Bond for the purpose of paying a portion of the costs of improvements to the City's share of the improvements to the Bunce Creek Huffman Drain. In addition, the City has recorded a liability on an anticipated tax tribunal of \$400,000.

The revenue bonds are a result of the Combined Sewer Separation and the Wet Weather project that the Michigan Department of Environmental Quality required of the City to decrease excess flows into the St. Clair River. The user fees in the sewer fund create the revenue to pay off these bonds. Final payments for Phase I and the CSO are scheduled for fiscal year 2015. Bond proceeds for Phase II of that same project was received by October 1996 in the amount of \$3,950,000 and is scheduled for final payments in fiscal year 2018.

More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Marysville (October 2007 SEMCOG-population of 10,373) is primarily a residential community located in St. Clair County, Michigan. According to SEMCOG, population grew steadily from the 2000 Census by 7.2 percent. The city's proximity to the downtown Detroit metropolitan area and several major roadways, including Interstate Highways 94 and 69, has helped spur residential development. The latest reported (census 2000) median income level for Marysville is \$49,299 and the median house value is \$129,700.

The City continues to rely heavily on property taxes (74.5% of total revenues in 2007, 76.3% in 2006, 73.4% in 2005, 72.65% in 2004 and 70.1% in 2003) and continues operating within the state-authorized tax rate limit. With the continual anticipated decreases in Revenue Sharing at the State level in the years ahead, along with the short term outlook for the State of Michigan, the City administration will closely, with City Council, analyze all aspects of the budget process to continue providing the services that benefit the community.

The City has also adopted a budget for FY 2007-2008. In the General Fund budget for 07-08 the anticipated fund balance draw is \$260,702. The City's elected and appointed officials considered many factors when setting that budget, along with the tax rates, and fees that will be charged for the city's activities. The expenditures budgeted for the 07-08 year in the general fund increased by .4% or \$34,525.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office by mail at 1111 Delaware, Marysville, MI 48040, by phone 810-364-6613, by fax 810-364-3940, or e-mail tweglarz@cityofmarysvillemi.com.

BASIC FINANCIAL STATEMENTS

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF NET ASSETS JUNE 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 2,000,261	\$ 1,273,585	\$ 3,273,846	\$ 227,553
Investments	10,009,360	1,308,288	11,317,648	306,762
Receivables (net of allowance)	517,104	781,153	1,298,257	25,895
Prepaid expenditures	71,256	13,111	84,367	22,248
Internal balances	338,694	(338,694)	-	-
Due from component units	150,932	-	150,932	-
Inventory	-	20,247	20,247	-
Deferred charges	147,231	-	147,231	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,348,035	751,929	2,099,964	104,253
Assets being depreciated	17,139,757	16,882,621	34,022,378	2,821,003
Total Assets	<u>31,722,630</u>	<u>20,692,240</u>	<u>52,414,870</u>	<u>3,507,714</u>
LIABILITIES:				
Payables and accrued liabilities	541,057	188,878	729,935	64,026
Accrued interest	105,350	32,652	138,002	-
Advances and deposits	63,415	-	63,415	28,994
Due to primary government	-	-	-	153,510
Deferred revenue	-	-	-	398
Non-current liabilities				
Due within one year	111,658	420,000	531,658	32,867
Due in more than one year	6,209,693	5,230,000	11,439,693	3,318,718
Total Liabilities	<u>7,031,173</u>	<u>5,871,530</u>	<u>12,902,703</u>	<u>3,598,513</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	16,120,371	11,747,386	27,867,757	2,925,256
Restricted -				
Acquisition/construction of capital assets	1,719,768	-	1,719,768	-
Cemetery perpetual care				
Expendable	142,918	-	142,918	-
Nonexpendable	220,900	-	220,900	-
Streets	302,769	-	302,769	-
Public Improvement	709,974	-	709,974	-
Public Safety	4,391	-	4,391	-
Unrestricted	<u>5,470,366</u>	<u>3,073,324</u>	<u>8,543,690</u>	<u>(3,026,049)</u>
Total Net Assets	<u>\$ 24,691,457</u>	<u>\$ 14,820,710</u>	<u>\$ 39,512,167</u>	<u>\$ (100,793)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 1,062,163	\$ 127,760	\$ -	\$ 19,401
Public Safety	4,152,447	382,120	31,771	148,922
Public Works	4,268,970	20,243	643,476	-
Recreation and Culture	639,624	72,206	40,343	-
Other Activities	14,998	1,617	-	-
Interest on Long Term Debt	178,455	-	-	-
Total governmental activities	<u>10,316,657</u>	<u>603,946</u>	<u>715,590</u>	<u>168,323</u>
Business type activities				
Water Supply System	1,631,517	1,790,253	-	45,481
Wastewater	1,501,986	1,967,955	-	-
Golf Course	618,412	525,978	-	-
Total business type activities	<u>3,751,915</u>	<u>4,284,186</u>	<u>-</u>	<u>45,481</u>
Total Primary Government	<u>14,068,572</u>	<u>4,888,132</u>	<u>715,590</u>	<u>213,804</u>
Component Units				
Housing Commission	708,028	338,664	156,058	155,166
Local Development Fiance Authority				
District No. 1	28,512	-	-	-
District No. 2	3,082,807	-	-	-
Total Component Units	<u>\$ 3,819,347</u>	<u>\$ 338,664</u>	<u>\$ 156,058</u>	<u>\$ 155,166</u>

General revenues:

Property taxes

Franchise fees

Grants and contribution not -
restricted to specific programs

Unrestricted investment income

Transfer - internal activities

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$(915,002)	\$ -	\$(915,002)	\$ -
(3,589,634)	-	(3,589,634)	-
(3,605,251)	-	(3,605,251)	-
(527,075)	-	(527,075)	-
(13,381)	-	(13,381)	-
(178,455)	-	(178,455)	-
(8,828,798)	-	(8,828,798)	-
-	204,217	204,217	-
-	465,969	465,969	-
-	(92,434)	(92,434)	-
-	577,752	577,752	-
(8,828,798)	577,752	(8,251,046)	-
-	-	-	(58,140)
-	-	-	(28,512)
-	-	-	(3,082,807)
\$ -	\$ -	\$ -	\$(3,169,459)
6,871,773	-	6,871,773	54,346
111,274	-	111,274	-
1,044,158	-	1,044,158	-
800,261	133,138	933,399	20,712
(610,755)	755	(610,000)	-
8,216,711	133,893	8,350,604	75,058
(612,087)	711,645	99,558	(3,094,401)
25,303,544	14,109,065	39,412,609	2,993,608
\$ 24,691,457	\$ 14,820,710	\$ 39,512,167	\$(100,793)

CITY OF MARYSVILLE, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

	General	2006 Construction	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 85,276	\$ 134,533	\$ 1,306,030	\$ 1,525,839
Investments	4,415,826	3,289,313	2,304,221	10,009,360
Receivables -				
Property taxes (net of allowance)	87,153	-	8,105	95,258
Interest and accounts	65,230	-	17,767	82,997
Special assessments	-	-	5,354	5,354
Due from other governmental units -				
Federal/State	172,176	-	98,662	270,838
Local	-	-	43,354	43,354
Due from other funds	143,939	-	93,671	237,610
Due from component units	75,018	-	75,914	150,932
Advance to other funds	237,164	-	-	237,164
Prepayments and deposits	65,858	-	3,696	69,554
	<u>\$ 5,347,640</u>	<u>3,423,846</u>	<u>\$ 3,956,774</u>	<u>\$ 12,728,260</u>
Total Assets				
	<u>\$ 5,347,640</u>	<u>3,423,846</u>	<u>\$ 3,956,774</u>	<u>\$ 12,728,260</u>
Liabilities:				
Accounts payable	\$ 228,543	\$ 5,446	\$ 126,030	\$ 360,019
Accrued liabilities	111,194	-	44,091	155,285
Advances and deposits	63,415	-	-	63,415
Due to other funds	-	18,671	98,106	116,777
Deferred revenue	87,153	-	13,459	100,612
	<u>490,305</u>	<u>24,117</u>	<u>281,686</u>	<u>796,108</u>
Total Liabilities				
	<u>490,305</u>	<u>24,117</u>	<u>281,686</u>	<u>796,108</u>
Fund Balances:				
Reserved	364,920	3,399,729	2,087,282	5,851,931
Unreserved				
Designated	1,069,981	-	232,480	1,302,461
Undesignated -				
General Fund	3,422,434	-	-	3,422,434
Special Revenue Funds	-	-	1,355,326	1,355,326
Total Equity	<u>4,857,335</u>	<u>3,399,729</u>	<u>3,675,088</u>	<u>11,932,152</u>
	<u>4,857,335</u>	<u>3,399,729</u>	<u>3,675,088</u>	<u>11,932,152</u>
Total Liabilities and Fund Equity				
	<u>\$ 5,347,640</u>	<u>\$ 3,423,846</u>	<u>\$ 3,956,774</u>	<u>\$ 12,728,260</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Fund Balances - total governmental funds		\$	11,932,152
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			49,000,265
Accumulated depreciation		(31,043,724)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Delinquent Personal Property Taxes	95,258		
Special Assessments	<u>5,354</u>		100,612
Internal Service Fund used by management to charge cost of the City's motor pool activities. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			
			981,622
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(6,055,000)	
Contingent Liabilities	(400,000)	
Accrued interest	(<u>105,350</u>	(6,560,350)
Bond Issuance costs reported as debt retirement in the governmental funds, where they deferred and amortized for net assets			
			147,231
Discounts and Premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net assets (netted against bonds payables)			
			52,500
Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized for net assets (netted against bonds payable)			
			<u>81,149</u>
Net Assets of governmental activities		\$	<u><u>24,691,457</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	General	2006 Construction	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 6,806,993	\$ -	\$ -	\$ 6,806,993
Licenses and permits	235,587	-	-	235,587
Intergovernmental -				
Federal/State	1,189,009	-	683,719	1,872,728
Local	-	-	55,343	55,343
Charges for services	274,717	-	-	274,717
Fines and forfeits	24,994	-	-	24,994
Interest and rent	471,840	95,850	239,146	806,836
Special assessment	-	-	10,027	10,027
Other	127,789	-	89,871	217,660
Total Revenues	<u>9,130,929</u>	<u>95,850</u>	<u>1,078,106</u>	<u>10,304,885</u>
Expenditures:				
Current -				
General Government	662,422	-	-	662,422
Public Safety	2,785,176	-	26,571	2,811,747
Public Works	1,358,363	-	1,059,341	2,417,704
Recreation and Cultural	274,522	-	265,879	540,401
Other Activities	1,856,764	18,971	44,447	1,920,182
Capital Outlay	87,215	65,027	425,722	577,964
Debt Service				
Principal	-	-	125,000	125,000
Interest	-	-	97,920	97,920
Issuance costs	-	59,623	-	59,623
Total Expenditures	<u>7,024,462</u>	<u>143,621</u>	<u>2,044,880</u>	<u>9,212,963</u>
Excess of revenues over (under) expenditures	<u>2,106,467</u>	<u>(47,771)</u>	<u>(966,774)</u>	<u>1,091,922</u>
Other Financing Sources (Uses):				
Bond Proceeds	-	3,500,000	-	3,500,000
Bond Discount	-	(52,500)	-	(52,500)
Transfer In	-	-	1,972,184	1,972,184
Transfer Out	(1,742,264)	-	(780,964)	(2,523,228)
Total Other Financing Sources (Uses)	<u>(1,742,264)</u>	<u>3,447,500</u>	<u>1,191,220</u>	<u>2,896,456</u>
Excess of revenues and other sources over (under) expenditures and other uses	364,203	3,399,729	224,446	3,988,378
Fund Balances at beginning of year	<u>4,493,132</u>	<u>-</u>	<u>3,450,642</u>	<u>7,943,774</u>
Fund Balances at end of year	<u>\$ 4,857,335</u>	<u>\$ 3,399,729</u>	<u>\$ 3,675,088</u>	<u>\$ 11,932,152</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2007**

Net change in fund balances - total governmental funds	\$	3,988,378
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		760,652
Depreciation expense	(1,994,181)
Loss on Disposal	(8,537)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		55,170
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The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.

Principal payment on bonds	125,000		
Issuance costs	59,623		
Bond proceeds	(3,500,000)		
Bond discount	52,500		
Amortization of deferred issuance cost	(6,739)		
Amortization of deferred loss on refunding	(6,242)		
Increase in accrued interest	<u>(80,535)</u>	(3,356,393)

Internal service funds used by management to charge costs of the City's motor pool activities. The net revenues (expenses) attributable to those funds is reported with governmental activities.		42,824
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Contingent Liabilities	(<u>100,000)</u>
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Change in net assets of governmental activities	\$(<u><u>612,087)</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2007

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Fund
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 528,611	\$ 493,247	\$ 251,727	\$ 1,273,585	\$ 474,422
Investment	1,110,603	197,685	-	1,308,288	-
Accounts and interest receivable	408,123	373,030	-	781,153	-
Inventories	-	-	20,247	20,247	-
Prepaid expenses	7,404	3,583	2,124	13,111	1,702
Total Current Assets	<u>2,054,741</u>	<u>1,067,545</u>	<u>274,098</u>	<u>3,396,384</u>	<u>476,124</u>
Property, Plant and Equipment:					
Property, plant and equipment	11,556,132	14,079,225	1,974,620	27,609,977	1,699,012
Less - accumulated depreciation	(5,590,902)	(3,621,329)	(763,196)	(9,975,427)	(1,167,761)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>5,965,230</u>	<u>10,457,896</u>	<u>1,211,424</u>	<u>17,634,550</u>	<u>531,251</u>
Total Assets	<u><u>\$ 8,019,971</u></u>	<u><u>\$ 11,525,441</u></u>	<u><u>\$ 1,485,522</u></u>	<u><u>\$ 21,030,934</u></u>	<u><u>\$ 1,007,375</u></u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	\$ 80,807	\$ 41,425	\$ 11,979	\$ 134,211	\$ 16,711
Accrued expenses	28,673	18,715	5,470	52,858	9,042
Accrued interest	-	32,652	-	32,652	-
Notes payable (current portion)	-	420,000	-	420,000	-
Due to other funds	-	-	103,339	103,339	-
Total Current Liabilities	<u>109,480</u>	<u>512,792</u>	<u>120,788</u>	<u>743,060</u>	<u>25,753</u>
Long-Term Liabilities (less current portions):					
Advance from other funds	-	-	237,164	237,164	-
Notes payable (net of current portion)	-	5,230,000	-	5,230,000	-
Total Long-Term Liabilities	<u>-</u>	<u>5,230,000</u>	<u>237,164</u>	<u>5,467,164</u>	<u>-</u>
Total Liabilities	<u>109,480</u>	<u>5,742,792</u>	<u>357,952</u>	<u>6,210,224</u>	<u>25,753</u>
NET ASSETS:					
Investment in capital assets, net of related liabilities	5,965,230	4,807,896	974,260	11,747,386	531,251
Unrestricted					
Designated	338,000	263,789	50,000	651,789	146,000
Undesignated	<u>1,607,261</u>	<u>710,964</u>	<u>103,310</u>	<u>2,421,535</u>	<u>304,371</u>
Total Net Assets	<u><u>\$ 7,910,491</u></u>	<u><u>\$ 5,782,649</u></u>	<u><u>\$ 1,127,570</u></u>	<u><u>\$ 14,820,710</u></u>	<u><u>\$ 981,622</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 1,782,265	\$ 1,965,922	\$ 379,162	\$ 4,127,349	\$ 608,324
Rent income	-	-	143,041	143,041	-
Other	7,988	2,033	3,775	13,796	590
Total Operating Revenues	<u>1,790,253</u>	<u>1,967,955</u>	<u>525,978</u>	<u>4,284,186</u>	<u>608,914</u>
Operating Expenses:					
Personnel services	816,619	593,420	388,404	1,798,443	212,142
Supplies	81,839	80,800	77,146	239,785	124,356
Other services	458,901	359,417	103,585	921,903	47,430
Depreciation	274,158	335,490	43,159	652,807	144,681
Total Operating Expenses	<u>1,631,517</u>	<u>1,369,127</u>	<u>612,294</u>	<u>3,612,938</u>	<u>528,609</u>
Operating Income (Loss)	<u>158,736</u>	<u>598,828</u>	<u>(86,316)</u>	<u>671,248</u>	<u>80,305</u>
Non-Operating Revenues (Expenses):					
Gain on sale of assets	-	-	-	-	3,771
Interest earned	75,123	47,449	10,566	133,138	18,459
Interest expenses	-	(132,859)	(6,118)	(138,977)	-
Total Non-Operating Revenues	<u>75,123</u>	<u>(85,410)</u>	<u>4,448</u>	<u>(5,839)</u>	<u>22,230</u>
Net Income (Loss) Before Transfers and Capital Contributions	233,859	513,418	(81,868)	665,409	102,535
Capital Contributions:	<u>45,481</u>	<u>-</u>	<u>-</u>	<u>45,481</u>	<u>-</u>
Net Income (Loss) Before Transfers	<u>279,340</u>	<u>513,418</u>	<u>(81,868)</u>	<u>710,890</u>	<u>102,535</u>
Transfers:					
Transfers from other funds	-	200,177	-	200,177	-
Transfers to other funds	(99,711)	(99,711)	-	(199,422)	(59,711)
	<u>(99,711)</u>	<u>100,466</u>	<u>-</u>	<u>755</u>	<u>(59,711)</u>
Net Income (Loss)	179,629	613,884	(81,868)	711,645	42,824
Net Assets at beginning of year	<u>7,730,862</u>	<u>5,168,765</u>	<u>1,209,438</u>	<u>14,109,065</u>	<u>938,798</u>
Net Assets end of year	<u>\$ 7,910,491</u>	<u>\$ 5,782,649</u>	<u>\$ 1,127,570</u>	<u>\$ 14,820,710</u>	<u>\$ 981,622</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 1,874,988	\$ 1,847,857	\$ 521,759	\$ 4,244,604	\$ -
Cash receipts from interfund services	-	-	-	-	608,914
Cash payments to suppliers	(495,296)	(469,227)	(179,957)	(1,144,480)	(179,121)
Cash payments to employees	(804,195)	(581,917)	(388,023)	(1,774,135)	(206,185)
Net Cash Provided (Used) by Operating Activities	<u>575,497</u>	<u>796,713</u>	<u>(46,221)</u>	<u>1,325,989</u>	<u>223,608</u>
Cash Flows From Noncapital Financing Activities:					
Payment from/to other funds	(99,711)	100,466	-	755	(59,711)
Due from/to other funds	-	(200,000)	103,339	(96,661)	-
Net Cash Used by Noncapital Financing Activities	<u>(99,711)</u>	<u>(99,534)</u>	<u>103,339</u>	<u>(95,906)</u>	<u>(59,711)</u>
Cash Flows From Capital and Related Financing Activities:					
Bond payments	-	(542,534)	-	(542,534)	-
Capital Contribution	45,481	-	-	45,481	-
Payments on Advance	-	-	(20,095)	(20,095)	-
Proceeds from the sale of assets	-	-	-	-	3,771
Acquisition and construction of capital assets	(293,797)	(322,353)	-	(616,150)	(91,087)
Net Cash Used by Capital and Related Financing Activities	<u>(248,316)</u>	<u>(864,887)</u>	<u>(20,095)</u>	<u>(1,133,298)</u>	<u>(87,316)</u>
Cash Flows From Investing Activities:					
Redemption (purchase) of investments	(3,240)	305,463	-	302,223	-
Interest earned	<u>66,027</u>	<u>45,831</u>	<u>10,566</u>	<u>122,424</u>	<u>18,459</u>
Net Cash Provided by Investing Activities	<u>62,787</u>	<u>351,294</u>	<u>10,566</u>	<u>424,647</u>	<u>18,459</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	290,257	183,586	47,589	521,432	95,040
Cash and Cash Equivalents at Beginning of Year	<u>238,354</u>	<u>309,661</u>	<u>204,138</u>	<u>752,153</u>	<u>379,382</u>
Cash and Cash Equivalents at End of Year	<u>\$ 528,611</u>	<u>\$ 493,247</u>	<u>\$ 251,727</u>	<u>\$ 1,273,585</u>	<u>\$ 474,422</u>
Reconciliation of Net Income (Loss) to:					
Net Cash Provided (Used) by Operating Activities:					
Operating income (loss) for the year	\$ 158,736	\$ 598,828	\$(86,316)	\$ 671,248	\$ 80,305
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -					
Depreciation	274,158	335,490	43,159	652,807	144,681
Change in assets and liabilities:					
Receivable	84,735	(120,098)	155	(35,208)	-
Prepays and deposits	(7,143)	(3,475)	(1,553)	(12,171)	(1,702)
Inventory	-	-	(406)	(406)	-
Accounts payable/accrued expenses	65,011	(14,032)	3,114	54,093	(5,633)
Deferred revenue	-	-	(4,374)	(4,374)	5,957
Net Cash Provided (Used) By Operating Activities	<u>\$ 575,497</u>	<u>\$ 796,713</u>	<u>\$(46,221)</u>	<u>\$ 1,325,989</u>	<u>\$ 223,608</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2007

	Pension and Other Employee Benefit Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 1,052,632	\$ 34,082
Investments	48,159,306	-
Receivables	204,271	228,492
Due from other funds	<u>1,809</u>	<u>-</u>
Total Assets	<u><u>\$ 49,418,018</u></u>	<u><u>\$ 262,574</u></u>
 LIABILITIES:		
Accrued liabilities	\$ 899,488	\$ -
Due to other governmental units	-	262,574
Due to other funds	<u>19,303</u>	<u>-</u>
Total Liabilities	<u><u>918,791</u></u>	<u><u>\$ 262,574</u></u>
 NET ASSETS:		
Held in trust for pension benefits	<u><u>\$ 48,499,227</u></u>	

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Pension and Other Employee Benefit Trust Funds
	<u> </u>
Additions:	
Contributions	
Member contributions	\$ 197,957
Employer contributions	<u> 2,292,575</u>
Total Contributions	<u> 2,490,532</u>
Investment income	
Interest/Dividends	1,400,663
Unrealized gain (loss)	3,401,179
Gain (loss) on sale of investments	<u> 1,769,616</u>
Total investment income	6,571,458
Less investment expenses	<u>(185,351)</u>
Net investment income	6,386,107
Total Additions	<u> 8,876,639</u>
Deductions:	
Retirement benefit payments	2,412,354
Health insurance	698,944
Vested benefits	7,839
Professional fees	21,503
Miscellaneous	<u> 25,033</u>
Total Deductions	<u> 3,165,673</u>
Net Increase	5,710,966
Net assets held in trust for pension benefits	
Beginning of year	<u> 42,788,261</u>
End of year	<u><u> \$ 48,499,227</u></u>

The accompanying notes are an integral part of these financial statements.

COMPONENT UNITS

CITY OF MARYSVILLE, MICHIGAN

COMBINING STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNITS JUNE 30, 2007

	Housing Commission	Local Development Finance Authority District No. 1	Local Development Finance Authority District No. 2	Total
ASSETS				
Cash and cash equivalents	\$ 227,553	\$ -	\$ -	\$ 227,553
Investments	306,762	-	-	306,762
Receivables	25,895	-	-	25,895
Prepayments and deposits	22,248	-	-	22,248
Capital Assets (net of accumulated depreciation)				
Assets not being depreciated	104,253	-	-	104,253
Assets being depreciated	2,821,003	-	-	2,821,003
 Total Assets	 \$ 3,507,714	 \$ -	 \$ -	 \$ 3,507,714
LIABILITIES				
Payables and current liabilities	\$ 60,822	\$ -	\$ 3,204	\$ 64,026
Accrued interest	-	-	9,994	9,994
Deferred revenue	398	-	-	398
Advances and deposits	28,994	-	-	28,994
Due to primary government	56,281	75,914	21,315	153,510
Non-current liabilities				
Due within one year	-	32,867	-	32,867
Due in more than one year	-	270,424	3,048,294	3,318,718
 Total Liabilities	 146,495	 379,205	 3,082,807	 3,608,507
NET ASSETS				
Investments in Capital Assets, net of related liabilities	2,925,256	-	-	2,925,256
Unrestricted	435,963	(379,205)	(3,082,807)	(3,026,049)
 Total net assets	 \$ 3,361,219	 \$(379,205)	 \$(3,082,807)	 \$(100,793)

The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

COMBINING STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution
Housing Commission	\$ 708,028	\$ 338,664	\$ 156,058	\$ 155,166
Local Development Finance Authority				
District No. 1				
Governmental activities:				
Other Activities	12,494	-	-	-
Interest on Long Term Debt	16,018	-	-	-
	<u>28,512</u>	<u>-</u>	<u>-</u>	<u>-</u>
District No. 2				
Governmental activities:				
Other Activities	3,072,813	-	-	-
Interest on Long Term Debt	9,994	-	-	-
	<u>3,082,807</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 3,819,347</u>	<u>\$ 338,664</u>	<u>\$ 156,058</u>	<u>\$ 155,166</u>

General Revenues:

Property taxes

Unrestricted investment income

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets			
Housing Commission	Local Development Finance Authority District No. 1	Local Development Finance Authority District No. 2	Total
<u>\$ (58,140)</u>			<u>\$ (58,140)</u>
	(12,494)		
	(16,018)		
	<u>(28,512)</u>		<u>(28,512)</u>
		(3,072,813)	
		(9,994)	
		<u>(3,082,807)</u>	<u>(3,082,807)</u>
			(3,169,459)
-	54,346	-	54,346
<u>20,712</u>	<u>-</u>	<u>-</u>	<u>20,712</u>
(37,428)	25,834	(3,082,807)	(3,094,401)
<u>3,398,647</u>	<u>(405,039)</u>	<u>-</u>	<u>2,993,608</u>
<u>\$ 3,361,219</u>	<u>\$ (379,205)</u>	<u>\$ (3,082,807)</u>	<u>\$ (100,793)</u>

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

The City of Marysville, Michigan was incorporated in 1924, under the provisions of Act 279, P.A. of 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter, including public safety (police, fire, civil defense, and inspections), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water supply and sewage disposal systems, and general administrative services.

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governments' operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate for the City.

BLENDED COMPONENT UNIT -

CITY OF MARYSVILLE BUILDING AUTHORITY - was formed for the purpose of constructing and renovating various Municipal buildings. The main function of the Authority at the present time is to pay off debt. The five (5) member Board is appointed by the Mayor with the City Council confirmation and the City is fiscally responsible for the Authority. As a result, the Authority has been included as a blended component unit.

DISCRETELY PRESENTED COMPONENT UNITS –

MARYSVILLE HOUSING COMMISSION - is a nonprofit entity established pursuant to the Authority of Act 18 of the Public Act of 1933, as amended, which is governed by a five (5) member board appointed by the City Manager. This is a legally separate entity, but is considered a component unit due to the City's ability to influence the Housing Commission's actions through representation on the Housing Commission Board and because of their financial relationship.

The audited financial statements of the Marysville Housing Commission, may be obtained at the following location:

Marysville Housing Commission
1100 New York
Marysville, Michigan 48040

LOCAL DEVELOPMENT FINANCE AUTHORITIES - were formed for the purpose of promoting and stimulating the local economy. The main function of the Authorities at the present time is to provide aid to local businesses for economic growth and expansion. The audited financial statements of the Local Development Finance Authorities are included with these statements.

FISCAL YEAR ENDS - All of the city Funds and component units operate and are reported on a June 30 year end with the exception of the Marysville Housing Commission, which operates and is reported as of March 31.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation –

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on August 31, are recognized as revenue in the year due. Also, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

General Fund – is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2006 Construction Fund – is used to account for the bond proceeds and the cost of constructing various capital improvements, including the Bunce Creek Huffman Drain Project.

The City reports the following major proprietary funds:

Water Supply System Fund – is used to account for the treatment and distribution of water to residential and commercial users.

Wastewater Fund – is used to account for sanitary sewer services provided to the residential and commercial users.

Golf Course Fund – is used to account for the operations and activities of operating the City owned golf course.

Additionally, the City reports the following fund types –

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Funds – are used to account for the accumulation of resources for, and the payment of long-term general obligation debt of governmental funds.

Capital Projects Fund – are used to account for revenue restricted for the acquisition and/or construction of major capital assets not being financed by proprietary funds.

Internal Service Fund – is used to account for the costs of operating and maintaining the City's motor pool. Charges are made to other funds based on equipment used.

Pension Trust and Other Employee Trust Funds – are used to accumulate resources for pension, health benefits, and vested vacation and sick for qualified employees.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for these business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sale and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, the unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the City may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property the receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar –

The City’s property tax is levied as of July 1 on the assessed valuation of property located in the City as of the preceding December 31. The taxes are due on August 31 with final collection date as of February 28, after which they are added to the delinquent tax roll. The city also collects taxes for other governmental units which are recorded in the tax fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

	Primary <u>Government</u>
Buildings and improvements	7-50
Land improvements	7-40
Utility systems	10-50
Machinery and equipment	3-20
Bikepaths	30
Vehicles	3-10
Sidewalks	30
Streets	20-30

Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. The City has elected to fund vacation and sick time as it is earned. As a result, these amounts are appropriately accounted for in the Employees Vacation and Sick Pay Fund.

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Information –

Annual budgets are adopted for the General and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results.

In January the department heads/responsible individuals are provided various information to prepare the budgets for their department, which are due at the end of January. The City Manager and Finance Director assembles each of the department budgets and prepares one tentative overall budget. The budget is presented to the City Council in April for review. The City Council holds a public hearing and may make any revisions, which, in their opinion and as a result of the public hearing, is necessary.

The general fund budget was approved at the activity level and the total expenditure level for the Special Revenue Funds. Expenditures at these legally adopted levels are a violation of the Budgetary Act. During the year the City incurred expenditures in the General and Special Revenue Funds which were in excess of the amount appropriated as follows:

Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Major Funds:			
General Fund –			
General Government			
Cemetery	\$ 78,300	\$ 121,581	\$ 43,281
Public Safety			
Other	-	9,244	9,244
Public Works			
Street lighting	210,000	211,753	1,753
Sanitation	450,383	450,832	449
Recreation & Cultural			
Parks	197,150	207,964	10,814
Capital Outlay	57,574	87,215	29,641
Transfer Out	1,312,264	1,812,264	500,000
Nonmajor Funds –			
Drug – Law Enforcement Fund	5,000	26,571	21,571

As of June 30, 2007, the Local Development Finance Authority (Component Unit) had a deficit fund balance of \$75,914. The deficit will be eliminated as taxes are captured in the district.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS:

Carrying Amount -

At year-end, the carrying amount of the City of Marysville cash and investments is as follows:

	Primary Government	Component Units	Fiduciary Units	Reporting Entity
Cash on Hand -				
Petty cash and cash on hand	\$ 2,562	\$ 100	\$ -	\$ 2,662
Deposits with Financial Institutions -				
Checking / Money Market	3,271,284	203,348	1,086,714	4,561,346
Savings / Certificates of Deposits	4,317,223	24,105	-	4,341,328
Total	7,591,069	227,553	1,086,714	8,905,336
Investments -				
Marketable CD's	1,912,706	-	629,691	2,542,397
U.S. Government Securities	5,018,685	306,762	9,757,782	15,083,229
Convertible Securities	69,034	-	2,877,091	2,946,125
Stocks -				
U.S. Market	-	-	21,962,780	21,962,780
Foreign	-	-	654,990	654,990
Corporate Bonds / Notes -				
U.S. Market	-	-	5,418,493	5,418,493
Foreign	-	-	111,650	111,650
Mutual Funds	-	-	6,746,829	6,746,829
Total Investments	7,000,425	306,762	48,159,306	55,466,493
Grand Total	\$ 14,591,494	\$ 534,315	\$ 49,246,020	\$ 64,371,829

Reconciliation to Combined Balance Sheet

Reported as Cash and Cash Equivalents -				
Petty cash and cash on hand	\$ 2,562	\$ 100	\$ -	\$ 2,662
Cash in Checking / Money Market	3,271,284	203,348	1,086,714	4,561,346
Savings	-	24,105	-	24,105
Total Cash and Cash Equivalents				
Reported on Combined Balance Sheet	3,273,846	227,553	1,086,714	4,588,113
Reported as Investments -				
Marketable CD's	1,912,706	-	629,691	2,542,397
Non-negotiable CD's	4,317,223	-	-	4,317,223
U.S. Government Securities	5,018,685	306,762	9,757,782	15,083,229
Convertible Securities	69,034	-	2,877,091	2,946,125
Stock -				
U.S. Market	-	-	21,962,780	21,962,780
Foreign	-	-	654,990	654,990
Corporate Bonds / Notes -				
U.S. Market	-	-	5,418,493	5,418,493
Foreign	-	-	111,650	111,650
Mutual Funds	-	-	6,746,829	6,746,829
Total Investments Reported on				
Combined Balance Sheet	11,317,648	306,762	48,159,306	59,783,716
Grand Total – Combined Balance Sheet	\$ 14,591,494	\$ 534,315	\$ 49,246,020	\$ 64,371,829

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Deposits -

Act 217 PA 1982, as amended, authorizes the City to deposit in certificate of deposit, saving accounts depository accounts, or depository receipts of a state or nationally chartered bank or state or federal chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintain a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended by section 21.145 and 21.146 of the Michigan Compiled Laws.

Custodial Credit Risk – Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. As an indication of the level of deposits custodial credit risk assumed by the City, as of June 30, 2007, the book value of the City's deposits was \$8,675,221 with a corresponding bank balance of \$8,735,360. Insured deposits were \$200,000, and the remaining \$8,535,360 was uninsured or uncollateralized. In addition, the Marysville Housing Commission (a component unit) had deposits with a carrying value of \$227,453, with the entire amount insured or registered.

The City's investment policy allows for the use of bank deposits, including certificates of deposit. There are no limitations placed on the use of bank deposits.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution and assesses the level of risk. The City uses only those financial institutions with an acceptable estimated risk level as depositors.

Investments -

The City's investment policy and Act 20 of the Michigan Public Acts of 1943, as amended, authorizes the City to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposits, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Cash and investments of the City's retirement system, health care fund and employee vacation and sick pay fund are subject to the requirements of the Public Employee Retirement System Investments Act (MCL 38.1132).

Credit Risk – Investments – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organization. The City Employees Retirement System and the Police Officers and Firefighter Retirement System specifies that all debt securities must have a qualifying rating of Baa/BBB or above by at least two of its major rating agencies at the time of issue. The overall rating of the portfolio should be AA or better. As of year-end, the credit quality ratings city investments are as follows:

Investments	Fair Market Value		Rating	Rating Organization
	Primary Government	Fiduciary Unit		
Corporate Bond/Notes	-	\$ 683,005	AAA	Moody's
Corporate Bond/Notes	-	185,000	AA+	Moody's
Corporate Bond/Notes	-	526,623	AA	Moody's
Corporate Bond/Notes	-	111,650	AA2	Moody's
Corporate Bond/Notes	-	709,397	AA3	Moody's
Corporate Bond/Notes	-	417,386	A1	Moody's
Corporate Bond/Notes	-	793,480	A2	Moody's
Corporate Bond/Notes	-	296,492	BAA1	Moody's
Corporate Bond/Notes	-	218,862	BAA2	Moody's
Corporate Bond/Notes	-	199,344	BA1	Moody's
Corporate Bond/Notes	-	148,982	BA2	Moody's
Corporate Bond/Notes	-	404,449	BB+	Moody's
Corporate Bond/Notes	-	124,375	BB	Moody's
Corporate Bond/Notes	-	242,500	BB-	Moody's
Corporate Bond/Notes	-	283,560	B-	Moody's
Corporate Bond/Notes	-	185,038	B1	Moody's

Custodial Credit Risk – Investments – is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments that are in the possession of another party. The City's policy requires securities be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. As of June 30, 2007, \$55,159,731 of investments were held in third-party safekeeping not in the City's name, however, evidenced by safekeeping receipts.

Concentration of Credit Risk – Investments – is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

Primary Government – the City places no limits on the amounts the City may invest with any single issuer.

Fiduciary Unit – the General City Employees Retirement System and the Police Officers and Firefighters Retirement System establish certain minimums and maximums that may be invested in any asset class (International Securities, Small/Mid Cap, Equity, Large Cap Equity, Core Bonds, Fixed Income and Cash). The managers may not invest more than 5% of the System's assets in the outstanding securities of an issue, except for Treasury and Agency securities. There is no policy that places limits on the amount any of the other pension-type funds may invest with any issuer.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

As of June 30, 2007, the City had investments of 5% or more of the total investments as follows:

	<u>Governmental</u>	<u>Fiduciary</u>
Federal Home Loan Bank	31%	9%
Federal Home Loan Mortgage Corporation	12	6
Mutual Funds INTL –		
Harris Association Investments	-	5
Julius Baer Investments	-	7
Allegian MM/FD I Shares	-	6
Standard Federal Bank CD's	5	-
Citizens First Bank CD's	38	-

Interest Rate Risk – Investment – is the risk that the value of investments will decrease as a result of a rise in the interest rates. The investment policy adopted by the City for the primary government specifies the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle taking into account the investment risk contracts and cash flow characteristics of the portfolio. At year-end, the City's investments had the following range of maturity dates:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>>10</u>
U.S. Agency Securities	\$ 14,776,467	\$ 396,876	\$ 5,676,006	\$ 8,703,585
Corporate Bonds/Notes	5,530,143	70,769	2,037,734	3,421,640
Certificate of Deposit	<u>6,859,620</u>	<u>6,095,993</u>	<u>529,874</u>	<u>233,753</u>
Total Investments	<u>\$ 27,166,230</u>	<u>\$ 6,563,638</u>	<u>\$ 8,243,614</u>	<u>\$ 12,358,978</u>

Negotiability – Negotiable certificate of deposits are usually in bearer form, and have secondary market that are easily transferable and highly liquid. As of June 30, 2007, the City had negotiable Certificate of Deposits in the amount of \$2,542,397, and non-negotiable Certificate of Deposits in the amount of \$4,317,223.

In addition, the Marysville Housing Commission (a component unit) had investments in governmental securities of \$306,762.

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Property Taxes	\$ 120,258	\$ -
Interest and accounts	82,997	781,153
Special Assessments	5,354	-
Intergovernmental –		
Federal/State	270,838	-
Local	43,354	-
Due from fiduciary funds	<u>19,303</u>	<u>-</u>
	542,104	781,153
Less – allowance for uncollectible	(25,000)	-
	<u>\$ 517,104</u>	<u>\$ 781,153</u>

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 4 - RECEIVABLES – (cont'd):

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund –		
Property taxes	\$ 87,153	\$ -
Nonmajor Governmental Funds –		
Public Improvement –		
Property taxes	3,602	-
Special Assessments	5,354	-
Motor Vehicle Highway –		
Property taxes	<u>4,503</u>	<u>-</u>
Total deferred/unearned receivables to governmental funds	<u>\$ 100,612</u>	<u>\$ -</u>

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2007 was as follows:

	July 1, 2006 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2007 <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,067,470	\$ -	\$ -	\$ 1,067,470
Construction in progress	<u>55,360</u>	<u>280,565</u>	<u>55,360</u>	<u>280,565</u>
Total capital assets, not being depreciated	<u>1,122,830</u>	<u>280,565</u>	<u>55,360</u>	<u>1,348,035</u>
Capital assets, being depreciated:				
Buildings	6,052,486	-	-	6,052,486
Building improvements	482,622	16,000	-	498,622
Land improvements	2,169,530	55,105	-	2,224,635
Machinery and equipment	2,364,731	267,999	92,537	2,540,193
Vehicles	1,473,683	7,060	571,894	908,849
Bikepaths	360,161	34,715	-	394,876
Sidewalks	2,155,385	18,696	-	2,174,081
Streets	<u>34,339,541</u>	<u>226,959</u>	<u>-</u>	<u>34,557,500</u>
Total capital assets being depreciated	<u>49,389,139</u>	<u>626,534</u>	<u>664,431</u>	<u>49,351,242</u>

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 5 - CAPITAL ASSETS –(cont'd):

	July 1, 2006			June 30, 2007
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Less accumulated depreciation for:				
Buildings	\$ 2,084,297	\$ 109,270	\$ -	\$ 2,193,567
Building improvements	320,269	50,466	-	370,735
Land improvements	1,132,400	148,677	-	1,281,077
Machinery and equipment	1,481,756	225,337	84,000	1,623,093
Vehicles	1,189,617	68,844	571,894	686,567
Bikepaths	81,168	13,162	-	94,330
Sidewalks	1,432,738	50,933	-	1,483,671
Streets	<u>23,006,272</u>	<u>1,472,173</u>	<u>-</u>	<u>24,478,445</u>
Total accumulated depreciation	<u>30,728,517</u>	<u>2,138,862</u>	<u>655,894</u>	<u>32,211,485</u>
Total capital assets being depreciated, net	<u>18,660,622</u>	<u>(1,512,328)</u>	<u>8,537</u>	<u>17,139,757</u>
 Governmental activities capital assets, net	 <u>\$ 19,783,452</u>	 <u>\$ (1,231,763)</u>	 <u>\$ 63,897</u>	 <u>\$ 18,487,792</u>
 Business-type Activities:				
Capital assets, not being depreciated:				
Land	91,500	-	-	91,500
Land improvements	532,370	-	-	532,370
Construction in progress	<u>-</u>	<u>128,059</u>	<u>-</u>	<u>128,059</u>
Total capital assets, not being depreciated	<u>623,870</u>	<u>128,059</u>	<u>-</u>	<u>751,929</u>
 Capital assets, being depreciated:				
Buildings	6,634,888	-	-	6,634,888
Building improvements	372,790	-	-	372,790
Land Improvements	46,237	-	-	46,237
Water and sewer systems	17,121,084	418,543	-	17,539,627
Machinery and equipment	<u>2,194,959</u>	<u>69,547</u>	<u>-</u>	<u>2,264,506</u>
Total capital assets being depreciated	<u>26,369,958</u>	<u>488,090</u>	<u>-</u>	<u>26,858,048</u>
 Less accumulated depreciation for:				
Buildings	3,637,605	138,446	-	3,776,051
Building improvements	245,918	38,005	-	283,923
Land Improvements	12,716	4,623	-	17,339
Water and sewer systems	4,135,818	349,634	-	4,485,452
Machinery and equipment	<u>1,290,564</u>	<u>122,098</u>	<u>-</u>	<u>1,412,662</u>
Total accumulated depreciation	<u>9,322,621</u>	<u>652,806</u>	<u>-</u>	<u>9,975,427</u>
 Total capital assets being depreciated, net	 <u>17,047,337</u>	 <u>(164,716)</u>	 <u>-</u>	 <u>16,882,621</u>
 Total capital assets, net	 <u>\$ 17,671,207</u>	 <u>\$ (36,657)</u>	 <u>\$ -</u>	 <u>\$ 17,634,550</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 65,922
Public Safety	180,648
Public Works	1,703,191
Recreation and Cultural	<u>44,420</u>
 Total depreciation expense-governmental activities	 <u>\$ 1,994,181</u>
 Business-type activities:	
Golf Commission	\$ 43,159
Water Fund	274,158
Sewer Fund	<u>335,489</u>
Total depreciation expense-business-type activities	<u>\$ 652,806</u>

In addition there was depreciation of \$144,681 in the Motor Pool Fund.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 - CAPITAL ASSETS –(cont'd):

Housing Commission – Activity for the Housing Commission for the year ended June 30, 2007, was as follows:

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 104,253	\$ -	\$ -	\$ 104,253
Capital assets, being depreciated:				
Buildings	3,768,997	-	-	3,768,997
Furniture and equipment	189,224	3,773	2,400	190,597
Building improvements	<u>1,605,473</u>	<u>313,386</u>	<u>158,220</u>	<u>1,760,639</u>
Total Capital Assets being depreciated	5,563,694	317,159	160,620	5,720,233
Less accumulated depreciation:	<u>2,701,817</u>	<u>202,869</u>	<u>5,456</u>	<u>2,899,230</u>
Total capital assets being depreciated, net	<u>2,861,877</u>	<u>114,290</u>	<u>155,164</u>	<u>2,821,003</u>
Housing Commission capital assets, net	<u>\$2,966,130</u>	<u>\$ 114,290</u>	<u>\$ 155,164</u>	<u>\$2,925,256</u>

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable/accrued liabilities	\$ 376,730	\$ 134,211
Accrued wages and fringe benefits	164,327	52,858
Due to fiduciary fund	<u>-</u>	<u>1,809</u>
	<u>\$ 541,057</u>	<u>\$ 188,878</u>

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of June 30, 2007:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 23,106 (7)
	City Employees Retirement	6,997 (1)
	1965 Police and Fire Retirement	12,306 (1)
	Golf Fund	<u>101,530 (1)</u>
		143,939

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Street Fund	Major Street Fund	\$ 75,000 (7)
Public Improvement Fund	2006 Construction Fund	11,701 (1)
GO Bond Debt Fund	2006 Construction Fund	<u>6,970 (9)</u>
		<u>\$ 237,610</u>

Due To/From Primary Government & Component Units –

General Fund	Housing Commission	\$ 53,703 (1)
	Local Development	
	Finance Authority No.2	<u>21,315 (3)</u>
		75,018
Industrial Improvement Fund	Local Development Finance Authority	<u>75,914 (3)</u>
		<u>\$ 150,932</u>

The amount due for the Housing Commission does not agree with the liabilities reported in the Housing Commission, since the Housing Commission is reported at March 31, 2007.

Advance To/From Other Funds –

General Fund	Golf Course	<u>\$ 237,164 (4)</u>
--------------	-------------	-----------------------

Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Streets Fund	Motor Vehicle Highway Fund	\$ 18,500 (5)
	Public Improvement Fund	18,500 (5)
Local Streets Fund	Major Streets Fund	350,000 (5)
	Motor Vehicle Highway Fund	60,000 (5)
	Public Improvement Fund	60,000 (5)
Motor Vehicle Highway	General Fund	588,569 (6)
Park and Recreation	General Fund	182,824 (6)
Public Improvement	General Fund	470,871 (6)
Building Authority Debt Fund	Motor Pool Fund	49,711 (8)
	Waste Water Fund	49,711 (8)
	Water Fund	49,711 (8)
	Building Authority Fund	73,787 (8)
Waste Water Fund	Public Improvement Fund	<u>200,177 (5)</u>
		<u>\$ 2,172,361</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

There were also transfers from governmental funds to the Pension Health Care Fund that has been recorded as employer contributions in the Fiduciary Funds as follows:

Fiduciary Funds

Pension Health Care Fund	General Fund	\$ 500,000 (2)
	Water Fund	50,000 (2)
	Waste Water Fund	50,000 (2)
	Motor Pool	<u>10,000 (2)</u>
	Total Transfers	<u>\$ 610,000</u>

- (1) Reimbursement of costs
- (2) Transfer to Pension Health Care for Benefits
- (3) Loan to pay operating cost until capture of tax
- (4) Long-term advance to construct Maintenance Building
- (5) Transfer for Operations/Construction
- (6) Annual Appropriation
- (7) Short term loan for cash flow
- (8) Transfer to Building Authority for rent
- (9) Accrued Interest on Bonds

NOTE 8 - LONG-TERM DEBT:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term debt (including current portions) for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
Governmental Fund -					
Building Authority Refunding					
Bonds	\$ 2,680,000	\$ -	\$ 125,000	\$ 2,555,000	\$ 120,000
2006 General Obligation Bond	-	3,500,000	-	3,500,000	-
Contingent Liability -					
Property Tax					
Tribunal Cases	<u>300,000</u>	<u>100,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
	2,980,000	3,600,000	125,000	6,455,000	120,000
Deferred Amounts					
Refunding Loss	(87,391)	-	(6,242)	(81,149)	(6,242)
Bond Discount	<u>-</u>	<u>(52,500)</u>	<u>-</u>	<u>(52,500)</u>	<u>(2,100)</u>
	<u>2,892,609</u>	<u>3,547,500</u>	<u>118,758</u>	<u>6,321,351</u>	<u>111,658</u>
Business Activities:					
Enterprise Funds -					
Wastewater Fund -					
Michigan Municipal Bond					
Authority Wastewater Loans -					
Phase I 1993	1,050,000	-	120,000	930,000	120,000
Phase II 1996	2,560,000	-	190,000	2,370,000	195,000
Clean Water Program					
2003	<u>2,447,436</u>	<u>2,564</u>	<u>100,000</u>	<u>2,350,000</u>	<u>105,000</u>
Total Business Activities	<u>6,057,436</u>	<u>2,564</u>	<u>410,000</u>	<u>5,650,000</u>	<u>420,000</u>
Total Entity Primary Government	<u>\$ 8,950,045</u>	<u>\$ 3,550,064</u>	<u>\$ 528,758</u>	<u>\$ 11,971,351</u>	<u>\$ 531,658</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 - LONG-TERM DEBT - (cont'd):

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

Building Authority Bonds –

On February 17, 2005, the City issued \$2,680,000 General Obligation – limited tax refunding bonds to purchase U.S. Government, State and Local Service Securities that were placed in an irrevocable trust for the purpose of generating Resources for future debt services payments of \$3,225,000 of the 1996 Building Authority Bonds. As a result, the Refunding bonds have been removed from the City's financial statements. The reacquisition price was lower than the net carrying amount of the old debt by \$111,683. This amount is being capitalized and amortized over the remaining life of the refunding debt, which is the same as the life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over 15 years and resulted in an economic loss of \$111,683. The bonds are due in annual installments ranging from \$120,000 to \$245,000 through October 2021, plus interest ranging from 2.500 to 4.375 percent, payable semi-annually

\$ 2,555,000

On December 19, 2006, the City issued 2006 General Obligation capital improvements bonds. The bond is to be used in construction of various capital improvements. Principal and Interest will be payable from lawfully available monies of the City including ad valorem taxes, which may be levied in an amount sufficient to pay the annual obligations. The issuance of the 2006 G.O. Bonds resulted deferred Bond Discount in the amount of \$52,500 which will be amortized over the life of the bond. The bonds are due in annual installments ranging from \$50,000 to \$250,000 through October 2031, plus interest ranging from 3.75% to 4.05% payable semi-annually

3,500,000
\$ 6,055,000

Wastewater Fund Bonds/Loans –

Michigan Municipal Bond Authority Wastewater Loans were obtained for the purpose of separating the City's sanitary and storm sewer system. The debt and related interest is being repaid through operating revenues of the wastewater fund.

The Phase I loan in the original amount of \$2,375,181 is due in annual installments ranging from \$30,000 to \$135,000 through October 1, 2014, plus interest of 2.0 percent, payable semi-annually

\$ 930,000

The Phase II loan in the original amount of \$3,950,000 is due in annual installments ranging from \$180,000 to \$240,000 through October 1, 2018, plus interest of 2.25 percent, payable semi-annually

2,370,000

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT - (cont'd):

The Clean Water Program Loan for the purpose of eliminating discharge into the St. Clair River in the original amount of \$2,550,000 is due in annual installments ranging from \$100,000 to \$160,000 through October 1, 2024, plus interest of 2.50% payable semi-annually

\$ 2,350,000

\$ 5,650,000

Compensated Absences –

In accordance with contracts negotiated with various employee groups of the City of Marysville, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. The amount of these benefits has been fully funded in the Employee's Vacation and Sick Pay Fund.

The annual debt service requirements to maturities for the long-term obligations outstanding at June 30, 2007 (excluding vacation and sick) and the Clean Water Program loan since the full amount of the loan has not been drawn and a repayment schedule determined) are as follows:

Year Ending June 30,	Municipal Bond Authority Loans		Building Authority Bonds		Clean Water Bonds		2006 GO Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 315,000	\$ 68,531	\$ 120,000	\$ 94,484	\$ 105,000	\$ 57,373	\$ -	\$ 185,867
2009	320,000	61,694	120,000	91,034	105,000	54,748	50,000	138,462
2010	325,000	54,750	145,000	87,059	110,000	52,061	50,000	136,588
2011	335,000	47,644	140,000	82,609	115,000	49,248	50,000	134,712
2012	340,000	40,375	140,000	77,884	115,000	46,373	50,000	132,838
2013-2017	1,425,000	98,306	825,000	301,414	625,000	186,367	450,000	620,187
2018-2022	240,000	2,700	1,065,000	117,421	710,000	103,053	700,000	505,875
2023-2027	-	-	-	-	465,000	17,526	950,000	340,875
2028-2032	-	-	-	-	-	-	1,200,000	125,313
	<u>\$ 3,300,000</u>	<u>\$ 374,000</u>	<u>\$ 2,555,000</u>	<u>\$ 851,905</u>	<u>\$ 2,350,000</u>	<u>\$ 566,749</u>	<u>\$ 3,500,000</u>	<u>\$ 2,320,717</u>

Component Units -

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Due Within One Year
Local Development Finance Authority					
Land Contracts	\$ 334,559	\$ -	\$ 31,268	\$ 303,291	\$ 32,867
Promissory Note	-	3,048,294	-	3,048,294	-
	<u>\$ 334,559</u>	<u>\$ 3,048,294</u>	<u>\$ 31,268</u>	<u>\$ 3,351,585</u>	<u>\$ 32,867</u>

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT - (cont'd):

The Local Development Finance Authority – District No. 1 purchased property and issued a note for \$371,512 that will be repaid in monthly installments of \$3,940, including interest of 5% through April 4, 2015. The outstanding balance of June 30, 2007 was \$303,291.

On May 31, 2007, the City issued a promissory note in amount of \$3,500,000. The funds borrowed from Citizens First Bank were borrowed by the City to advance Marysville Local Development Finance Authority - District No. 2 (LDFA) which in turn used the funds to acquire and install infrastructure for the industrial development for the Chrysler Plant. The funds are subject to and will be repaid by LDFA pursuant to a repayment agreement between the LDFA and the City. The promissory note and interest are payable on May 31, 2012 with effective interest rate of 4.08%. The outstanding balance of the note as of June 30, 2007 was \$3,048,294.

NOTE 9 - RETIREMENT PLANS:

The City has three single employee defined benefit retirement plans covering substantially all employees as follows:

- General City Employees Retirement System
- Police Officers and Firefighters Retirement System – 1940 Plan
- Police Officers and Firefighters Retirement System – 1965 Plan

Plan Descriptions

General City Employee Retirement System -

General City Employees Retirement System – was established by City Council in 1945 for the purpose of continuing and providing retirement income to certain employees and retired employees and survivor benefits to their eligible beneficiaries. The system is administered, managed and operated by a five (5) member board of trustees, which is composed of the Mayor of the City of Marysville, one (1) council member selected by the City Council, a citizen who is not a member and two (2) members of the retirement system.

The membership at July 1, 2006 was comprised of 48 active participants, 44 retirees and beneficiaries, and 5 other inactive participants.

In general all employees are eligible for retirement on attainment of age 60/62 and 5 years of service or age 55 and 25 years of service. The annual normal pension payable is equal to 2.25% of final average compensation multiplied by the number of years of credited service.

Police Officers and Firefighters System – 1940 Plan –

The Police Officers and Firefighters Retirement System – 1940 Plan was established by City Charter in 1940 to provide retirement for police and firefighters and their beneficiaries with twenty-five (25) years of service. In general any member who retired is entitled to one-half of the pay of the rank in which such member was serving at the time of retirement, and in the event of change of rank at any time thereafter, in said rate of pay, then at the rate of one-half of the pay of said rank so changed.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 9 - RETIREMENT PLANS – (cont’):

The plan was superseded by the 1964 plan and as of June 30, 2007 there was only one (1) retiree (beneficiary) receiving benefits.

Police Officers and Firefighters Retirement System – 1964 Plan -

The Police Officers and Firefighters Retirement System – 1965 Plan was established by City Charter in 1965 for the purpose of providing pensions for Police Officers and Firefighters who retire on account of superannuation or total and permanent disability, and to provide survivor pensions to certain dependents. The system is administered, managed and operated by a five (5) member board of trustees, which is comprised of the Mayor or his appointee (must be a Council member) one (1) council member selected by the City Council, a citizens who is not a member, one (1) police officer member and one (1) firefighter member.

The membership at July 1, 2006 was comprised of 25 active participants, and 26 retirees and beneficiaries.

In general all employees are eligible for normal retirement on attainment of age 55 and 5 years of service. The annual normal pension payable is equal to 2.5% for final salary multiplied by the number of years of credited service, subject to a maximum of 25 years, plus 2% of final average salary multiplied by the number of years of credited service in excess of 25 years.

Summary of Significant Accounting Policy

Basis of Accounting -

The plans utilize the accrual basis of accounting and is reported within the City’s reporting entity as separate Pension Trust Funds. Contributions from employees are recognized as revenues in the period in which employees provide the services.

Method Used to Value Investments -

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contributions and Funding Policy

Participants of the General City Employees Retirement System and the Police Officers and Fire Retirement System – 1965 plan contribute 5% of compensation with the remaining amount contributed by the City based on a actuarially determined amounts. There is no member contribution for the Police Officers and Firefighters Retirement System – 1940 plan. The City contributes to this plan on a pay as you go method.

General City Employee Retirement System -

For fiscal 2007, the actuarially determined contribution was \$431,758 (18.95% of covered payroll).

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 9 - RETIREMENT PLANS – (cont’):

The required contribution was determined as part of the July 1, 2006 actual valuation using the actuarial cost method. The actual assumptions include (a) a rate of return of 8.0% (b) projected salary increases of 4.00% per year, and (c) the 1989 Buck Mortality Table.

Schedule of Employer Contribution

Fiscal Year Ending June 30,	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
2005	\$ 366,690	100%	-
2006	402,441	100	-
2007	431,758	100	-

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Accrued Liability (UAAL) (b-a)	UAAL Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
2004	\$ 17,172,124	\$ 18,776,905	\$ 1,604,781	91.45	\$ 2,289,952	70.08 %
2005	17,857,731	19,593,933	1,736,202	91.14	2,153,245	80.63
2006	18,783,632	20,814,117	2,030,485	90.24	2,278,405	89.12

Police Officers and Firefighters Retirement System – 1964 Plan –

For fiscal 2007, the actuarially determined contribution was \$491,802 (28.22% of covered payroll).

The required contribution was determined as part of the July 1, 2006 actual valuation using the actuarial cost method. The actual assumptions include (a) a rate of return of 8.0% (b) projected salary increases of 4.00 per year, and (c) the RP 2000 Healthy Annuitant Mortality Table.

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	\$ 492,784	100 %
2006	536,961	100
2007	491,802	100

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Accrued Liability (UAAL) (b-a)	UAAL Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
2004	14,683,776	18,025,358	3,341,582	81.46	1,602,030	208.58
2005	15,015,228	18,728,091	3,712,863	80.18	1,639,076	226.52
2006	15,544,392	19,612,395	4,068,003	79.27	1,742,742	233.43

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 - RETIREMENT PLANS – (cont’):

Police Officers and Firefighters Retirement System – 1940 Plan -

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Contribution</u>
2005	\$ 36,700
2006	35,800
2007	38,800

NOTE 10 - POST RETIREMENT BENEFITS:

The City provides health and life insurance benefits to most of the retirees in Note 9. The City funds the benefits on the pay-as-you-go method, which amounted to \$698,944 for fiscal 2007. In addition, the City has established a Pension Health Care Fund to accumulate resources to fund a portion of the unfunded benefit. An actuarial report is commissioned by the City Council at least once every five years to see the City’s progress in funding the benefit.

NOTE 11 - DEFERRED COMPENSATION:

The City offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

A trust, custodial account or annuity contract exists, assets are owned or held by the trust, custodian or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

NOTE 12 - FUND EQUITY:

RESERVED FUND BALANCE -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance at June 30, 2007:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Fire	\$ 18,743
	Historical	43
	DARE	22,935
	Bike Rodeo	843
	Donations	190
	Library	19,144
	Advance to Other Funds	237,164
	Prepaid Expense	65,858
		<u>364,920</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 12 - FUND EQUITY – (cont'd):

2006 Construction		<u>\$ 3,399,729</u>
Nonmajor Funds		
Parks and Recreation	Prepaid Expenses	\$ 3,696
Motor Vehicle Highway	Capital Projects	1,236,593
Building Authority	Capital Projects	483,175
Cemetery Perpetual Care	Perpetual Care	<u>363,818</u>
		<u>2,087,282</u>
		<u>\$ 5,851,931</u>

DESIGNATED FUND BALANCE -

The City Council has the power to designate, or set aside, all or a portion of the unreserved Fund Balance for specified purpose. The following is a summary of designated fund balance at June 30, 2007:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	EMS Equipment	\$ 818,513
	New Equipment	30,000
	Building Improvements	203,850
	Industrial/Commercial Development	<u>17,618</u>
		<u>1,069,981</u>
2006 GO Bond Fund	Debt Payments	6,970
Parks and Recreation	Millage	<u>225,510</u>
		<u>232,480</u>
		<u>\$ 1,302,461</u>

Retained Earnings –

The City has designated, or set aside, a portion of the unreserved retained earnings for specific purposes. The following is a summary of the designated retained earnings at June 30, 2007:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Wastewater Fund	Fringe Benefits	\$ 263,789
Water Fund	Fringe Benefits	338,000
Golf Course Fund	Fringe Benefits	<u>50,000</u>
		651,789
Motor Pool Fund	Refuse Truck	<u>146,000</u>
		<u>\$ 797,789</u>

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 13 - RISK MANAGEMENT:

General Liability and Property

The City participates in the Michigan Municipal League Liability and Property Pool insurance plan. In general the City carries \$10,000,000 of liability coverage and approximately \$34,162,000 of property insurance with a \$1,000 per claim deductible on property and \$0 on liability.

Workers Compensation

The City participates in the Michigan Municipal Workers' Compensation Self-Insurance Fund administered by the Michigan Municipal League. The fund provides coverage of workers compensation claims subjected to a maximum of \$500,000 per occurrence.

Health Insurance/Pharmacy Charges

Effective September 2005, the City became self-insured for health care benefits with the administered services of the program being performed on a contracted basis by a third party. The City pays claims up to \$15,000 per contract, per year. Stop loss insurance has been purchased to insure the City against losses in excess of these limits. Based on past history, the City has estimated the accrual health care claims, including an estimate for claims incurred but not reported (IBNR) of \$65,572, which is recorded as a current liability in the various funds. Total claims and administrative fees paid for the year ended June 30, 2007 was \$935,577.

Effective November 1, 2005, the City is self-insured for Pharmacy Charges with the administrative services of the program being performed on a contractual basis by a third party. There was not significant accrued claims, including an estimate for claims incurred but not reported (IBNR) at June 30, 2007. Total claims and administrative fees paid for the year ended June 30, 2007 was \$500,842.

NOTE 14 - CONTINGENT LIABILITIES:

Currently there are a few City taxpayers appealing their real and personal property tax assessments that could have an impact on the City's revenues. The largest of these taxpayers, the Detroit Edison, is appealing its tax assessment on the Edison plant located in the City for the 2003-2006 tax levies. In addition, the Detroit Edison is appealing the personal property tax assessment on the DTE Oil Terminal for 2003-2006. (Many of these taxpayers are also appealing their 2007 tax assessment that was billed on July 1, 2007). Should these taxpayers all prevail the City would be required to refund approximately \$805,112, not including the July 1, 2007 tax bill. The City intends to vigorously defend these matters. The City has recorded a reserve of \$400,000 in the entity-wide financial statements should the taxpayers prevail.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEE RETIREMENT SYSTEM

GENERAL CITY EMPLOYEES RETIREMENT SYSTEM

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/97	11,808,717	11,754,168	(54,549)	100.46%	1,906,874	-2.86%
07/01/98	13,686,707	12,734,370	(952,337)	107.48%	1,916,506	-49.69%
07/01/99	15,648,850	14,034,351	(1,614,499)	111.50%	1,975,246	-81.74%
07/01/00	16,941,119	15,032,094	(1,909,025)	112.70%	1,994,771	-95.70%
07/01/01	17,335,570	16,242,162	(1,093,408)	106.73%	2,108,013	-51.87%
07/01/02	17,040,860	16,746,879	(293,981)	101.76%	2,252,770	-13.05%
07/01/03	16,803,758	17,831,503	1,027,745	94.24%	2,300,897	44.67%
07/01/04	17,172,124	18,776,905	1,604,781	91.45%	2,289,952	70.08%
07/01/05	17,857,731	19,593,933	1,736,202	91.14%	2,153,245	80.63%
07/01/06	18,783,632	20,814,117	2,030,485	90.24%	2,278,405	89.12%

Schedule of Employer Contributions

Year Ended 30-Jun	Annual Required Contributions	Percentage Contributed
1998	197,841	184.70%
1999	58,044	186.30%
2000	-	100.00%
2001	-	100.00%
2002	30,650	100.00%
2003	153,461	100.00%
2004	365,510	100.00%
2005	366,690	100.00%
2006	402,441	100.00%
2007	431,758	100.00%

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE RETIREMENT SYSTEM**

POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/97	11,156,747	10,098,786	(1,057,961)	110.48%	1,317,298	-80.31%
07/01/98	12,788,100	10,635,002	(2,153,098)	120.25%	1,303,449	-165.18%
07/01/99	14,447,397	11,899,712	(2,547,685)	121.41%	1,405,018	-181.33%
07/01/00	15,473,531	13,310,991	(2,162,540)	116.25%	1,436,920	-150.50%
07/01/01	15,580,355	14,246,713	(1,333,642)	109.36%	1,682,405	-79.27%
07/01/02	15,052,172	14,574,723	(477,449)	103.28%	1,645,893	-29.01%
07/01/03	14,578,126	15,195,489	617,363	95.94%	1,733,318	35.62%
07/01/04	14,683,776	18,025,358	3,341,582	81.46%	1,602,030	208.58%
07/01/05	15,015,228	18,728,091	3,712,863	80.18%	1,639,076	226.52%
07/01/06	15,544,392	19,612,395	4,068,003	79.27%	1,742,742	233.43%

Schedule of Employer Contributions

Year Ended 30-Jun	Annual Required Contributions	Percentage Contributed
1998	-	100.00%
1999	-	100.00%
2000	-	100.00%
2001	-	100.00%
2002	-	100.00%
2003	130,371	100.00%
2004	289,907	100.00%
2005	492,784	100.00%
2006	536,961	100.00%
2007	491,802	100.00%

CITY OF MARYSVILLE, MICHIGAN

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 6,617,240	\$ 6,806,993	\$ 189,753
Licenses and permits	263,500	235,587	(27,913)
Intergovernmental -			
Federal/State	1,008,000	1,189,009	181,009
Charges for services	235,388	274,717	39,329
Fines and forfeits	26,000	24,994	(1,006)
Interest and rents	237,693	471,840	234,147
Other	-	127,789	127,789
	<u>8,387,821</u>	<u>9,130,929</u>	<u>743,108</u>
Expenditures:			
General Government -			
Legislative	22,800	18,200	4,600
Elections	14,000	-	14,000
City Manager	160,610	154,034	6,576
City Assessor/Clerk/Treasurer	287,827	278,723	9,104
Board of Review	2,640	2,006	634
Cemetery	78,300	121,581	(43,281)
Community Development	79,208	71,154	8,054
General administration	406,962	282,300	124,662
	<u>1,052,347</u>	<u>927,998</u>	<u>124,349</u>
Less: Reimbursement from other funds	(265,875)	(265,576)	(299)
Total General Government	<u>786,472</u>	<u>662,422</u>	<u>124,050</u>
Public Safety -			
Fire department	1,121,898	1,121,898	-
Police department	1,540,237	1,481,768	58,469
Emergency management	13,973	13,279	694
Building Inspections	181,557	158,987	22,570
Other	-	9,244	(9,244)
	<u>2,857,665</u>	<u>2,785,176</u>	<u>72,489</u>
Public Works -			
Department of public works	693,411	581,110	112,301
Street lighting	210,000	211,753	(1,753)
Dial-A-Ride	130,000	114,668	15,332
Sanitation	450,383	450,832	(449)
	<u>1,483,794</u>	<u>1,358,363</u>	<u>125,431</u>

Continued

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural-			
Parks	\$ 197,150	\$ 207,964	\$ (10,814)
Beautification committee	19,990	15,320	4,670
Library	69,380	26,551	42,829
Historical commission	37,800	24,687	13,113
	<u>324,320</u>	<u>274,522</u>	<u>49,798</u>
Other	<u>2,083,262</u>	<u>1,856,764</u>	<u>226,498</u>
Capital Outlay	<u>57,574</u>	<u>87,215</u>	<u>(29,641)</u>
Total Expenditures	<u>7,593,087</u>	<u>7,024,462</u>	<u>568,625</u>
Excess of revenues over expenditures	<u>794,734</u>	<u>2,106,467</u>	<u>1,311,733</u>
Other Financing Sources (Uses):			
Transfer Out-			
Public Improvement	(470,871)	(470,871)	-
Motor vehicle Highway	(588,569)	(588,569)	-
Recreation	(252,824)	(182,824)	70,000
Retiree Health	-	(500,000)	(500,000)
	<u>(1,312,264)</u>	<u>(1,742,264)</u>	<u>(430,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(517,530)	364,203	881,733
Fund Balance at beginning of year	<u>4,493,132</u>	<u>4,493,132</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 3,975,602</u>	<u>\$ 4,857,335</u>	<u>\$ 881,733</u>

The accompanying notes are an integral part of these financial statements.

Concluded

SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007**

Special Revenue Funds

	Major Street	Local Street	Drug Law Enforcement	Public Improvement	Industrial Development
ASSETS					
Cash and cash equivalents	\$ -	\$ 65,869	\$ 3,289	\$ 335,997	\$ 57,256
Investments	197,684	-	-	396,540	197,240
Receivables -					
Property Taxes	-	-	-	3,602	-
Accounts and interest	1,618	-	3,000	3,249	1,612
Special Assessments	-	-	-	5,354	-
Due from other governmental units -					
Federal/State	70,782	27,880	-	-	-
Local	-	3,011	-	-	-
Due from other funds	-	75,000	-	11,701	-
Due from component unit	-	-	-	-	75,914
Prepaid expenditures and deposits	-	-	-	-	-
Total Assets	<u>\$ 270,084</u>	<u>\$ 171,760</u>	<u>\$ 6,289</u>	<u>\$ 756,443</u>	<u>\$ 332,022</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 4,778	\$ 5,825	\$ 1,898	\$ 37,141	\$ -
Accrued liabilities	7,894	22,472	-	372	-
Due to other funds	98,106	-	-	-	-
Deferred revenue	-	-	-	8,956	-
Total Liabilities	<u>110,778</u>	<u>28,297</u>	<u>1,898</u>	<u>46,469</u>	<u>-</u>

Fund Balance:

Reserved -					
Prepaid	-	-	-	-	-
Capital Projects	-	-	-	-	-
Permanent Fund					
Expendable	-	-	-	-	-
Nonexpendable	-	-	-	-	-
Unreserved -					
Designated-					
Projects	-	-	-	-	-
Debt Services	-	-	-	-	-
Undesignated	159,306	143,463	4,391	709,974	332,022
Total Fund Balance	<u>159,306</u>	<u>143,463</u>	<u>4,391</u>	<u>709,974</u>	<u>332,022</u>

Total Liabilities and Fund Balance	<u>\$ 270,084</u>	<u>\$ 171,760</u>	<u>\$ 6,289</u>	<u>\$ 756,443</u>	<u>\$ 332,022</u>
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	Debt Service Funds		Capital Projects Funds		Permanent Fund	
Parks and Recreation	Building Authority	2006 GO Bond	Building Authority	Motor Vehicle Highway	Cemetery Perpetual Care	Total
\$ 207,723	\$ -	\$ -	\$ 4,467	\$ 514,556	\$ 116,873	\$ 1,306,030
-	-	-	478,847	788,967	244,943	2,304,221
-	-	-	-	4,503	-	8,105
-	-	-	3,918	2,368	2,002	17,767
-	-	-	-	-	-	5,354
-	-	-	-	-	-	98,662
40,343	-	-	-	-	-	43,354
-	-	6,970	-	-	-	93,671
-	-	-	-	-	-	75,914
3,696	-	-	-	-	-	3,696
<u>\$ 251,762</u>	<u>\$ -</u>	<u>\$ 6,970</u>	<u>\$ 487,232</u>	<u>\$ 1,310,394</u>	<u>\$ 363,818</u>	<u>\$ 3,956,774</u>
\$ 3,287	\$ -	\$ -	\$ 3,908	\$ 69,193	\$ -	\$ 126,030
13,099	-	-	149	105	-	44,091
-	-	-	-	-	-	98,106
-	-	-	-	4,503	-	13,459
16,386	-	-	4,057	73,801	-	281,686
3,696	-	-	-	-	-	3,696
-	-	-	483,175	1,236,593	-	1,719,768
-	-	-	-	-	142,918	142,918
-	-	-	-	-	220,900	220,900
225,510	-	-	-	-	-	225,510
-	-	6,970	-	-	-	6,970
6,170	-	-	-	-	-	1,355,326
235,376	-	6,970	483,175	1,236,593	363,818	3,675,088
<u>\$ 251,762</u>	<u>\$ -</u>	<u>\$ 6,970</u>	<u>\$ 487,232</u>	<u>\$ 1,310,394</u>	<u>\$ 363,818</u>	<u>\$ 3,956,774</u>

CITY OF MARYSVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				
	Major Street	Local Street	Drug Law Enforcement	Public Improvement	Industrial Development
Revenues:					
Intergovernmental -					
Federal/State	\$ 431,097	\$ 197,379	\$ 10,000	\$ 45,243	\$ -
Local	-	15,000	-	-	-
Interest and rent	17,274	2,324	808	41,464	17,109
Special assessment	-	-	-	10,027	-
Other	11,947	7,361	5,992	8,690	-
Total Revenues	<u>460,318</u>	<u>222,064</u>	<u>16,800</u>	<u>105,424</u>	<u>17,109</u>
Expenditures:					
Current -					
Public Safety	-	-	26,571	-	-
Public Works	271,127	740,263	-	-	-
Recreation and Cultural	-	-	-	-	-
Other	-	-	-	44,357	90
Capital Outlay	-	-	-	264,853	-
Debit Service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>271,127</u>	<u>740,263</u>	<u>26,571</u>	<u>309,210</u>	<u>90</u>
Excess of revenues over (under) expenditures	<u>189,191</u>	<u>(518,199)</u>	<u>(9,771)</u>	<u>(203,786)</u>	<u>17,019</u>
Other Financing Sources (Uses):					
Transfers In	37,000	470,000	-	470,871	-
Transfers Out	(350,000)	-	-	(278,677)	-
Total Other Financing Sources (Uses)	<u>(313,000)</u>	<u>470,000</u>	<u>-</u>	<u>192,194</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(123,809)</u>	<u>(48,199)</u>	<u>(9,771)</u>	<u>(11,592)</u>	<u>17,019</u>
Fund Balances at beginning of year	<u>283,115</u>	<u>191,662</u>	<u>14,162</u>	<u>721,566</u>	<u>315,003</u>
Fund Balances at end of year	<u>\$ 159,306</u>	<u>\$ 143,463</u>	<u>\$ 4,391</u>	<u>\$ 709,974</u>	<u>\$ 332,022</u>

	Debt Service Funds		Capital Projects Funds		Permanent Fund	
	Building Authority	2006 GO Bond	Building Authority	Motor Vehicle Highway	Cemetery Perpetual Care	Total
Parks and Recreation						
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683,719
40,343	-	-	-	-	-	55,343
15,447	-	6,970	37,201	79,075	21,474	239,146
-	-	-	-	-	-	10,027
40,771	-	-	95	-	15,015	89,871
96,561	-	6,970	37,296	79,075	36,489	1,078,106
-	-	-	-	-	-	26,571
-	-	-	22,217	25,734	-	1,059,341
265,589	-	-	-	-	290	265,879
-	-	-	-	-	-	44,447
-	-	-	-	160,869	-	425,722
-	125,000	-	-	-	-	125,000
-	97,920	-	-	-	-	97,920
265,589	222,920	-	22,217	186,603	290	2,044,880
(169,028)	(222,920)	6,970	15,079	(107,528)	36,199	(966,774)
182,824	222,920	-	-	588,569	-	1,972,184
-	-	-	(73,787)	(78,500)	-	(780,964)
182,824	222,920	-	(73,787)	510,069	-	1,191,220
13,796	-	6,970	(58,708)	402,541	36,199	224,446
221,580	-	-	541,883	834,052	327,619	3,450,642
\$ 235,376	\$ -	\$ 6,970	\$ 483,175	\$ 1,236,593	\$ 363,818	\$ 3,675,088

CITY OF MARYSVILLE, MICHIGAN

**MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
State -			
Act 51	\$ 435,000	\$ 431,097	\$(3,903)
Interest	3,000	17,274	14,274
Other	4,500	11,947	7,447
Total Revenues	442,500	460,318	17,818
Expenditures:			
Public Works-			
Routine Maintenance	150,616	153,772	(3,156)
Traffic Services Maintenance	31,567	28,740	2,827
Winter Maintenance	86,268	55,519	30,749
Administration/Engineering	26,823	33,096	(6,273)
Construction	18,000	-	18,000
Total Expenditures	313,274	271,127	42,147
Excess of revenues over expenditures	129,226	189,191	59,965
Other Financing Sources (Uses):			
Transfers in	37,000	37,000	-
Transfers out	(350,000)	(350,000)	-
	(313,000)	(313,000)	-
Excess of revenues and other sources over (under) expenditures and other uses	(183,774)	(123,809)	59,965
Fund Balance at beginning of year	283,115	283,115	-
Fund Balance at end of year	\$ 99,341	\$ 159,306	\$ 59,965

CITY OF MARYSVILLE, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
State -			
Act 51	\$ 173,000	\$ 169,791	\$(3,209)
Maintenance	28,000	27,588	(412)
Local	-	15,000	15,000
Interest	1,500	2,324	824
Other	1,000	7,361	6,361
Total Revenues	203,500	222,064	18,564
Expenditures:			
Public Works			
Routine Maintenance	358,300	352,898	5,402
Traffic Services Maintenance	35,403	20,091	15,312
Winter Maintenance	124,990	101,186	23,804
Administration/Engineering	32,272	52,184	(19,912)
Construction	242,000	213,904	28,096
Total expenditures	792,965	740,263	52,702
Excess of revenues over (under) expenditures	(589,465)	(518,199)	71,266
Other Financing Sources:			
Transfers in	470,000	470,000	-
Excess of revenues and other sources over (under) expenditures	(119,465)	(48,199)	71,266
Fund Balance at beginning of year	191,662	191,662	-
Fund Balance at end of year	\$ 72,197	\$ 143,463	\$ 71,266

CITY OF MARYSVILLE, MICHIGAN

**DRUG -LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental -			
Federal	\$ -	\$ 10,000	\$ 10,000
Interest	100	808	708
Other	4,900	5,992	1,092
Total Revenues	<u>5,000</u>	<u>16,800</u>	<u>11,800</u>
Expenditures:			
Public Safety			
Other	5,000	26,571	(21,571)
Excess of revenues over (under)			
expenditures	-	(9,771)	(9,771)
Fund Balance at beginning of year	<u>14,162</u>	<u>14,162</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 14,162</u>	<u>\$ 4,391</u>	<u>\$(9,771)</u>

CITY OF MARYSVILLE, MICHIGAN

PUBLIC IMPROVEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEARS ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental -			
Federal	\$ -	\$ 45,243	\$ 45,243
Interest	5,000	41,464	36,464
Special assessment	-	10,027	10,027
Other	-	8,690	8,690
	<u>5,000</u>	<u>105,424</u>	<u>100,424</u>
Total Revenues			
	<u>5,000</u>	<u>105,424</u>	<u>100,424</u>
Expenditures:			
Other			
Administration	24,030	7,303	16,727
Professional fees	-	24,152	(24,152)
Miscellaneous	-	12,902	(12,902)
Capital outlay	650,000	264,853	385,147
	<u>674,030</u>	<u>309,210</u>	<u>364,820</u>
Total Expenditures			
	<u>674,030</u>	<u>309,210</u>	<u>364,820</u>
Excess of revenues over (under) expenditures	(669,030)	(203,786)	465,244
Other Financing Sources (Uses):			
Transfers in	470,871	470,871	-
Transfers out	(78,500)	(278,677)	(200,177)
	<u>392,371</u>	<u>192,194</u>	<u>(200,177)</u>
Excess of revenues over (under) expenditures and other uses	(276,659)	(11,592)	265,067
Fund Balance at beginning of year	721,566	721,566	-
Fund Balance at end of year	<u>\$ 444,907</u>	<u>\$ 709,974</u>	<u>\$ 265,067</u>

CITY OF MARYSVILLE, MICHIGAN

**INDUSTRIAL DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 2,000	\$ 17,109	\$ 15,109
Expenditures:			
Other			
Professional fees	1,000	90	910
Excess of revenues over (under) expenditures	1,000	17,019	16,019
Fund Balance at beginning of year	315,003	315,003	-
Fund Balance at end of year	<u>\$ 316,003</u>	<u>\$ 332,022</u>	<u>\$ 16,019</u>

CITY OF MARYSVILLE, MICHIGAN

**RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2007**

	Original/ Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:			
County park millage	\$ 39,000	\$ 40,343	\$ 1,343
Interest	3,000	15,447	12,447
Other	47,960	40,771	(7,189)
Total Revenues	89,960	96,561	6,601
Expenditures:			
Recreation and culture			
Salaries and wages	87,344	79,911	7,433
Fringe benefits	56,635	51,802	4,833
Materials and supplies	4,710	5,104	(394)
Program expense	97,215	114,817	(17,602)
Travel	1,450	1,699	(249)
Insurance	5,250	3,768	1,482
Contracted services	520	520	-
Maintenance	4,200	6,668	(2,468)
Miscellaneous	12,000	1,300	10,700
Capital Outlay	126,575	-	126,575
Total Expenditures	395,899	265,589	130,310
Excess of revenues over (under) expenditures	(305,939)	(169,028)	136,911
Other Financing Sources:			
Transfers in	252,824	182,824	(70,000)
Excess of revenues and other sources over (under) expenditures	(53,115)	13,796	66,911
Fund Balance at beginning of year	221,580	221,580	-
Fund Balance at end of year	\$ 168,465	\$ 235,376	\$ 66,911

FIDUCIARY FUNDS

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND
JUNE 30, 2007**

	Employee Retirement Systems			Pension
	Police and Firemen		Other City	Health
	1940 Plan	1965 Plan	Employees	Care
ASSETS:				
Cash and cash equivalents	\$ 958	\$ 3,971	\$ 1,517	\$ 945,395
Investments, at fair value				
Marketable CD's	-	-	-	473,237
U.S. Government Securities	-	852,338	1,782,576	6,712,353
Convertible Securities	-	1,609,469	1,139,791	122,181
Corporate Bonds	-	1,710,035	1,871,182	1,837,276
Foreign Bonds	-	55,825	55,825	-
Mutual Funds	-	2,486,557	4,260,272	-
Stocks	-	10,614,487	12,003,283	-
Total Investments	-	17,328,711	21,112,929	9,145,047
Receivables -				
Accounts receivable	-	451	-	-
Interest and dividends	-	47,927	62,679	88,527
	-	48,378	62,679	88,527
Due from other funds	-	-	-	-
Total Assets	958	17,381,060	21,177,125	10,178,969
LIABILITIES:				
Accrued liabilities	-	199,317	20,265	-
Due to other funds	-	12,306	6,997	-
	-	211,623	27,262	-
NET ASSETS:				
Net assets held in trust for pension benefits	\$ 958	\$ 17,169,437	\$ 21,149,863	\$ 10,178,969

Employees Vacation/ Sick Pay	Total
<u>\$ 100,791</u>	<u>\$ 1,052,632</u>
156,454	629,691
410,515	9,757,782
5,650	2,877,091
-	5,418,493
-	111,650
-	6,746,829
-	22,617,770
<u>572,619</u>	<u>48,159,306</u>
-	451
<u>4,687</u>	<u>203,820</u>
<u>4,687</u>	<u>204,271</u>
<u>1,809</u>	<u>1,809</u>
<u>679,906</u>	<u>49,418,018</u>
679,906	899,488
-	19,303
<u>679,906</u>	<u>918,791</u>
<u><u>\$ -</u></u>	<u><u>\$ 48,499,227</u></u>

CITY OF MARYSVILLE, MICHIGAN

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND FOR THE YEAR ENDED JUNE 30, 2007

	Employee Retirement Systems			Pension
	Police and Firemen		Other City	Health
	1940 Plan	1965 Plan	Employees	Care
Additions:				
Contributions				
Member contributions	\$ -	\$ 86,868	\$ 111,089	\$ -
Employer contributions	38,800	741,999	888,344	610,000
Total Contributions	<u>38,800</u>	<u>828,867</u>	<u>999,433</u>	<u>610,000</u>
Investment income				
Interest/Dividends	-	442,953	513,844	443,866
Unrealized gain (loss)	-	888,651	2,326,895	198,950
Gain (loss) on sale of investments	-	1,354,295	459,642	(44,206)
Total investment income	-	2,685,899	3,300,381	598,610
Less investment expenses	-	(86,427)	(98,924)	-
Net investment income	-	2,599,472	3,201,457	598,610
Total Additions	<u>38,800</u>	<u>3,428,339</u>	<u>4,200,890</u>	<u>1,208,610</u>
Deductions:				
Retirement benefit payments	38,780	1,225,714	1,147,860	-
Health insurance	-	247,298	451,646	-
Life insurance	-	2,899	4,940	-
Professional fees	-	12,118	9,385	-
Other	-	11,646	13,387	-
Total Deductions	<u>38,780</u>	<u>1,499,675</u>	<u>1,627,218</u>	<u>-</u>
Net Increase (Decrease)	20	1,928,664	2,573,672	1,208,610
Net assets held in trust for pension benefits:				
Net Assets at beginning of year	<u>938</u>	<u>15,240,773</u>	<u>18,576,191</u>	<u>8,970,359</u>
Net Assets end of year	<u>\$ 958</u>	<u>\$ 17,169,437</u>	<u>\$ 21,149,863</u>	<u>\$ 10,178,969</u>

Employees Vacation/ Sick Pay	Total
\$ -	\$ 197,957
13,432	2,292,575
<u>13,432</u>	<u>2,490,532</u>
-	1,400,663
(13,317)	3,401,179
<u>(115)</u>	<u>1,769,616</u>
(13,432)	6,571,458
-	(185,351)
<u>(13,432)</u>	<u>6,386,107</u>
-	8,876,639
-	2,412,354
-	698,944
-	7,839
-	21,503
-	25,033
<u>-</u>	<u>3,165,673</u>
-	5,710,966
-	42,788,261
<u>\$ -</u>	<u>\$ 48,499,227</u>

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - SCHOOL AND COUNTY TAX FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 41,286	\$ 207,783	\$ 214,987	\$ 34,082
Taxes Receivable	<u>120,219</u>	<u>17,110,560</u>	<u>17,002,287</u>	<u>228,492</u>
Total Assets	<u><u>\$ 161,505</u></u>	<u><u>\$ 17,318,343</u></u>	<u><u>\$ 17,217,274</u></u>	<u><u>\$ 262,574</u></u>
 Liabilities:				
Due to other governmental units -	<u><u>\$ 161,505</u></u>	<u><u>\$ 17,147,343</u></u>	<u><u>\$ 17,046,274</u></u>	<u><u>\$ 262,574</u></u>

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL
FUNDS**

CITY OF MARYSVILLE, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
General City:				
Land	\$ 1,067,470	\$ -	\$ -	\$ 1,067,470
Land improvements	2,169,530	55,105	-	2,224,635
Buildings	6,052,486	-	-	6,052,486
Building improvements	482,622	16,000	-	498,622
Machinery & equipment	2,364,731	267,999	92,537	2,540,193
Vehicles	1,473,683	7,060	571,894	908,849
Bikepaths	360,161	34,715	-	394,876
Sidewalks	2,155,385	18,696	-	2,174,081
Streets	34,330,541	226,959	-	34,557,500
	<u>50,456,609</u>	<u>626,534</u>	<u>664,431</u>	<u>50,418,712</u>
Less - accumulated depreciation	<u>(30,728,517)</u>	<u>(2,138,862)</u>	<u>(655,894)</u>	<u>(32,211,485)</u>
	19,728,092	(1,512,328)	8,537	18,207,227
Construction in progress	<u>55,360</u>	<u>280,565</u>	<u>55,360</u>	<u>280,565</u>
Net Total Investment in General Fixed Assets	<u><u>\$ 19,783,452</u></u>	<u><u>\$(1,231,763)</u></u>	<u><u>\$ 63,897</u></u>	<u><u>\$ 18,487,792</u></u>

COMPONENT UNITS

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET ASSETS
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Capital Assets (net of accumulated depreciation)			
Assets not being depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to primary government	\$ 75,914	\$ -	\$ 75,914
Non-current liabilities			
Due within one year	-	32,867	32,867
Due in more than one year	<u>-</u>	<u>270,424</u>	<u>270,424</u>
Total Liabilities	75,914	303,291	379,205
 Fund Balance (Deficit):			
Unreserved	<u>(75,914)</u>	<u>75,914</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</u>		
 Net Assets (Deficits):			
Unrestricted		<u>(379,205)</u>	<u>(379,205)</u>
Total Net Assets (Deficits)		<u>\$(379,205)</u>	<u>\$(379,205)</u>

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS -
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
JUNE 30, 2007**

Fund Balance (Deficit) - Local Development Finance Authority - Distirct No. 1	\$(75,914)
Long - term liabilities, including installments payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	<u>(303,291)</u>
Net Asset (Deficit) of Local Development Finance Authority - District No. 1 activities	<u>\$(379,205)</u>

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
FOR THE YEARS ENDED JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
Revenues:			
Taxes	\$ 54,346	\$ -	\$ 54,346
Expenditures/Expenses:			
Current -			
Other	12,494	-	12,494
Debt Service-			
Principal	31,268	(31,268)	-
Interest and fiscal charges	16,018	-	16,018
	<u>59,780</u>	<u>(31,268)</u>	<u>28,512</u>
Revenues over expenses	(5,434)	31,268	25,834
Fund Balance/Net Asset at beginning of year	<u>(70,480)</u>	<u>(334,559)</u>	<u>(405,039)</u>
Fund Balance/Net Asset (Deficit) at end of year	<u><u>\$ (75,914)</u></u>	<u><u>\$ (303,291)</u></u>	<u><u>\$ (379,205)</u></u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES/EXPENSES , AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
JUNE 30, 2007**

Net change in fund balances - Local Development Finance Authority - District No. 1 \$ (5,434)

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.

Principal payments on long term liabilities 31,268

Change in net assets of Local Development Finance Authority - District No. 1 activities \$ 25,834

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET ASSETS
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Loan Receivable	<u>\$ 24,519</u>	<u>\$ (24,519)</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 3,204	\$ -	\$ 3,204
Due to primary government	21,315	-	21,315
Accrued interest	-	9,994	9,994
Non-current liabilities			
Due in more than one year	<u>-</u>	<u>3,048,294</u>	<u>3,048,294</u>
 Total Liabilities	24,519	3,058,288	3,082,807
 Fund Balance (Deficit):			
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities and Fund Balance	<u>\$ 24,519</u>		
 Net Assets (Deficits):			
Unrestricted		<u>(3,082,807)</u>	<u>(3,082,807)</u>
 Total Net Assets (Deficits)		<u>\$ (3,082,807)</u>	<u>\$ (3,082,807)</u>

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS -
LOCAL DEVELOPMENT FINANCE AUTHORITY -DISTRICT NO. 2
JUNE 30, 2007**

Fund Balance (Deficit) - Local Development Finance Authority - Distirct No. 2	\$ -
 Draw on loan proceeds not received at year end	(24,519)
 Long - term liabilities, including installments payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	(3,048,294)
Accrued interest	<u>(9,994)</u>
 Net Asset (Deficit) of Local Development Finance Authority - District No. 2 activities	<u>\$ (3,082,807)</u>

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
FOR THE YEARS ENDED JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
Expenditures/Expenses:			
Current -			
Other	\$ 24,519	\$ -	\$ 24,519
Purchase/Contribution of land	3,048,294	-	3,048,294
Debt Service-			
Interest and fiscal charges	-	9,994	9,994
	<u>3,072,813</u>	<u>9,994</u>	<u>3,082,807</u>
Other Financing Sources:			
Loan proceeds	<u>3,072,813</u>	<u>(3,072,813)</u>	<u>-</u>
Revenues over expenses	-	(3,082,807)	(3,082,807)
Fund Balance/Net Asset at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance/Net Asset (Deficit) at end of year	<u><u>\$ -</u></u>	<u><u>\$(3,082,807)</u></u>	<u><u>\$(3,082,807)</u></u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES/EXPENSES , AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
JUNE 30, 2007**

Net change in fund balances - Local Development Finance Authority - District No. 2	\$ -
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Issuance of long-term debt	(3,072,813)
Increase in accrued interest	<u>(9,994)</u>
Change in net assets of Local Development Finance Authority - District No. 2 activities	<u><u>\$(3,082,807)</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Marysville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marysville, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Marysville's basic financial statements and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Marysville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described below to be significant deficiencies in internal control over financial reporting:

Preparation of the "external" Financial Statements in Accordance with Generally Accepted Accounting Principles.

New accounting standards require that the entity have the expertise and technical ability to prepare the entity's financial statements, including all the notes and GASB No. 34 financial statements, in accordance with generally accepted accounting principles. The City's finance department routinely prepares "internal" financial reports for management and the City Council to assess the operations and financial conditions of the City throughout the year.

At the end of each year the accounting department makes various year end adjustments to the “internal” financial statements and provides these reports to us, the auditors, to audit and prepare the City’s “external” financial statements. The “external” financial statements must include not only the number section of the financial report but also very extensive and detailed “notes to the financial statements”.

Although we believe that the City’s accounting staff has the expertise and technical ability to prepare the basic number section of the financial statements, they require our assistance in preparing the notes to the financial statements and for certain technical assistance in preparing generally accepted accounting principle financial statements. We do not recommend any changes to this situation at this time however, are reporting it as required under professional standards.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marysville’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

We noted certain matters that we reported to management of the City of Marysville in a separate letter dated October 30, 2007.

This report is intended solely for the information and use of management, the City of Marysville Board of Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants,

October 30, 2007



MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council
City of Marysville, Michigan

As you know, we have recently completed our audit of the financial statements of the City of Marysville, Michigan as of and for the year ended June 30, 2007. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control, operational efficiency and/or compliance with Federal or State requirements. These suggestions are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in the **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**, dated October 30, 2007, the conditions described below are not considered significant deficiencies or material weaknesses.

Controls could be strengthened over the ambulance billings.

At the current time, charges for emergency medical services are billed by the fire department personnel and payments are collected at the City Hall. In addition, the fire department personnel maintain the ledger indicating the amounts due and write off balances that are considered uncollectible. The charges are not recorded on the City's general ledger until the time of payment. As a result, should someone pay at the fire department or mail their payment to the fire department, it would be possible to mark the individual paid or uncollectible, and not deposit the funds with the City Treasurer. We understand that payments are not supposed to be paid to the fire department; however, it is possible that they could be.

Controls could be improved by recording all billing on the City general ledger, and then as payments are received, they would be applied against the receivable account. Then at the end of the month, the general ledger balance should be reconciled to the detailed accounts receivable ledger maintained by the fire department. All write-offs could then be approved by the City Council.

The utilities accounts receivable ledger should be reconciled to the General Ledger on a monthly basis and all billing adjustments should be made by someone separate from the billings and collection process.

During our audit we noted the utilities accounts receivable ledger is not reconciled to the general ledger on a monthly basis. It is our understanding that the amounts are compared but if the difference is not significant, no additional procedures are performed to determine why the amounts do not agree. To increase controls we suggest that the utilities accounts receivable ledger be reconciled to the general ledger on a monthly basis with any differences investigated and appropriately adjusted.

Also at the current time the same individual prepares the water and sewer bills, mails the bills, receive payments and can make billing adjustments. We suggest the duties be separated as much as possible, this could be as simple as removing the capability of making billing adjustments from the individual that bills and collects payments.

Uncollectible delinquent personal property taxes should be written off after five years.

During the audit we noted that the City is carrying old delinquent personal property taxes, back to 1993, on the general ledger. Michigan Complied laws specify that governmental units should petition the Courts to remove all uncollectible taxes after five (5) years. We recommend that the City adopt formal collection procedures and if amounts are not collectible that the City petition the court to have them removed after five (5) years.

This report is intended solely for the information of the City Council of the City of Marysville, management, others within the organization and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

October 30, 2007